

# MISSISSIPPI

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

# *Mississippi*



Fiscal Year Ended June 30, 2014

**Department of Finance and Administration**

Post Office Box 267  
Jackson, MS 39205

**Kevin J. Upchurch**  
Executive Director



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**PHIL BRYANT**  
GOVERNOR

**STATE OF MISSISSIPPI**  
OFFICE OF THE GOVERNOR

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February 12, 2015

To the Members of the Legislature and my Fellow Mississippians:

As Governor of the State of Mississippi, I present the Comprehensive Annual Financial Report for the fiscal year ending June 30, 2014. This report details Mississippi's financial statements and accounting controls.

As the national economy is gaining momentum, Mississippi continues to show economic gains and employment growth. The focus continues on creating new jobs, education reform, creating a skilled workforce and improved government efficiency. We still have work to do, but our hard work is producing results. I hope that continued economic growth and fiscal discipline will serve to further bolster the state's financial stability.

Sincerely,

A handwritten signature in black ink that reads "Phil Bryant".

Phil Bryant

# Mississippi

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# *Mississippi*

## Introduction

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**STATE OF MISSISSIPPI  
DEPARTMENT OF FINANCE AND ADMINISTRATION**

KEVIN J. UPCHURCH  
EXECUTIVE DIRECTOR



February 12, 2015

To Governor Bryant, Members of the Legislature, and Citizens of the State of Mississippi:

It is my pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Mississippi for the year ended June 30, 2014 as provided in Section 27-104-4, Mississippi Code Annotated (1972). Responsibility for both the accuracy of the data presented and the completeness and fairness of the presentations in the financial statements, including all disclosures, rests with the State's management. This report was prepared in conformity with accounting principles generally accepted in the United States of America (GAAP).

State managers are responsible for establishing and maintaining internal controls to ensure that adequate accounting data is compiled to allow preparation of financial statements in conformity with GAAP. Because the cost of a control should not exceed the benefits likely to be derived, internal controls have been implemented to provide reasonable, but not absolute, assurance regarding the reliability of the financial statements. I believe the information as presented is complete and accurate in all material respects.

Pursuant to Section 7-7-211(d), Mississippi Code Annotated (1972), the Office of the State Auditor has performed an audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, of the State's basic financial statements. His unmodified opinion is presented as the first page of the financial section of this report. Also, as required by federal law, the State Auditor has undertaken a single audit of the State as a whole, which will include a report on compliance and internal control over compliance on major federal program funds expended by state government. This report, along with the report on internal control over financial reporting and on compliance and other matters, will be published separately.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the Basic Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the Auditor's report.



## **Profile of the Government**

Mississippi is named for the Mississippi River, which forms its western boundary and empties into the Gulf of Mexico. The name translated from Native American folklore means "Father of Waters." Mississippi was organized as a territory in 1798 and was admitted as the 20th State to the Union on December 10, 1817. The State's constitution separates the legal powers of state government into three distinct branches - the legislative, the executive, and the judicial.

The financial statements present information on the financial position and operations of state government as a single comprehensive reporting entity. The State's various agencies, commissions, departments and boards that comprise the State's reporting entity are included in this report in accordance with criteria established by the Governmental Accounting Standards Board (GASB). The State's reporting entity is also comprised of its discretely presented component units for which the State is financially accountable. The criteria used in defining the State's reporting entity are fully discussed in Note 1 to the financial statements.

The State provides a full range of services to enhance and protect the lives of its citizenry. These services include, among others, education; health and social services; public safety and justice; recreation and resource development and protection; business regulation; and highway construction and maintenance.

Mississippi state law requires both the Governor and the Legislative Budget Committee to submit an overall balanced budget at the beginning of each annual session for the ensuing fiscal year. The Legislature legally enacts an annual state budget through passage of specific departmental appropriation bills. The Governor has the power to approve or veto each line item appropriation; however, vetoes are subject to legislative override. For the majority of the appropriations, the legal level of budgetary control is at the agency level by activity or function as well as by major expenditure classification. Unexpended appropriations at June 30 are available for subsequent expenditure if they have been encumbered and are presented for payment during the succeeding two-month lapse period.

## **Factors Affecting Financial Condition**

Mississippi's economy continues to grow at a modest pace. Real GDP growth for 2014 is expected to be 1.3 percent over 2013. This rate is slightly below the 1.6 percent growth observed in 2013 and is a full percentage point below the expected national growth rate of 2.3 percent. The slowdown relative to last year is a result of a declining first quarter followed by slow but unsteady growth through the remainder of the year. The national economy slowed in the first quarter as well, but growth has been more consistently strong over the second and third quarters, exceeding 3.0 percent in both quarters.

Since the first quarter, the number of people employed in Mississippi has been up one month and down the next. For the first nine months of 2014, the state is up 10,644 jobs or 1.0 percent from the same period of 2013. This increase is slightly better than the 0.9 percent growth observed in the previous two years. The state's economy lost 78,000 jobs during the recession and remains more than 35,000 jobs below the pre-recession peak.

Manufacturing accounts for the largest share of the jobs added in 2014 with a gain of 3,944 jobs or 2.9 percent over 2013. While many subsectors within manufacturing have enjoyed gains, the largest gains have been in shipbuilding, automotive and furniture manufacturing. Manufacturing work week length also remains high by historical standards. The trade, transportation, and public utilities sectors also account for a significant share of the new jobs in 2014. Construction employment, which rose sharply in 2013, has fallen sharply in 2014. Several large projects are coming to a close in 2014, most notably the Kemper County Power Plant. Construction employment has returned to its late 2012 level.

One area of concern for the state is income growth. In four of the past five quarters, total personal income less transfer payments has been below its level of the prior year. Historically, this measure is rarely below the prior year. The recent weakness reflects the fact that many jobs being added have been relatively low paying and/or part-time.

New home construction remains relatively flat in Mississippi. Like the nation, modest progress is occurring but this progress is small compared to the decline in activity observed during the recession. The slow income growth partly explains the lack of new construction. Nationally, household formation declined in 2013, which is likely a product of the relatively low-income growth coupled with high student loan debt levels.

The Mississippi Coincident Index has risen for six consecutive months. The Mississippi Index of Leading Indicators has trended up during 2014 but the gains have not been consistent. This sputtering growth suggests an economy that while improving remains vulnerable. The outlook is for continued gradual improvement. Real GDP growth in Mississippi is expected to accelerate in 2015 to 2.4 percent, while national growth is expected to be slightly more robust at 2.7 percent.

## **Long-term Financial Planning**

State revenue collections have exceeded the revenue estimate for three of the first four months of the fiscal year. Through October, FY 2015 collections are \$11 million ahead of the estimate. Current projections are for the FY 2015 General Fund to be 1.1 percent larger than the FY 2014 General Fund. However, this growth rate is somewhat misleading. While actual collections grew 5.6 percent in FY 2014, much of this growth was due to windfall attorney general settlements and extremely robust corporate tax collections. Neither the attorney general settlements nor the robust corporate tax collections are expected to continue in FY 2015. Collections excluding these two sources grew 2.1 percent in FY 2014. For FY 2015, collections net of corporate tax and attorney general settlements are expected to grow 3.4 percent over FY 2014. General Fund collections for FY 2016 are expected to grow 3.0 percent above the expected FY 2015 General Fund.

## **Major Initiatives**

With a growing Mississippi economy and the anticipation for a General Fund ending cash balance in excess of \$400 million for fiscal year 2014, the decision was made to fill the Working Cash-Stabilization Reserve Fund (Rainy Day Fund) to its statutory limit, resulting in a balance of approximately \$409 million. This decision positions the State to be well prepared for future negative economic occurrences.

The focus remains on education, public safety, and economic development. These areas are critical to the future success of the State. Education continues to make up approximately 60 percent of the budgetary general funds. A major project for the State is the replacement of the aging accounting and human resources systems. The first phase of implementation began July 1, 2014 with the State operating under the new Financial, Grants, and Procurement Modules.

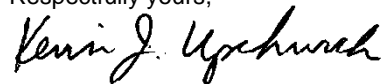
## **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Mississippi for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013. This was the twenty-seventh consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report was made possible by the dedicated services of the staff of the Office of Financial Reporting within the Department of Finance and Administration with the cooperation and support of the Office of the State Auditor and the various agency heads and employees who assisted and contributed to its preparation.

Respectfully yours,



Kevin J. Upchurch

# Mississippi

## Officials of State Government

### Executive Branch

**Governor**

Phil Bryant

**Lieutenant Governor**

Tate Reeves

**Secretary of State**

Delbert Hosemann

**State Auditor**

Stacey Pickering

**State Treasurer**

Lynn Fitch

**Attorney General**

Jim Hood

**Commissioner of Agriculture  
and Commerce**

Cindy Hyde-Smith

**Commissioner of Insurance**

Mike Chaney

**Transportation Commissioners**

Dick Hall

Tom King

Mike Tagert

**Public Service Commissioners**

Brandon Presley

Lynn Posey

R. Stephen Renfroe

**State Fiscal Officer**

Kevin J. Upchurch

### Legislative Branch

**Speaker of the House of Representatives**

Philip Gunn

**Speaker Pro Tempore**

of the House of Representatives  
Greg Snowden

**President Pro Tempore of the Senate**

Terry W. Brown

**Secretary of Senate**

Liz Welch

**Clerk of the House of Representatives**

Andrew Ketchings

**Legislative Budget Office**

Debbie Rubisoff, Director

**Joint Legislative Committee on  
Performance Evaluation and  
Expenditure Review**

Max K. Arinder, Director

### Judicial Branch

**Supreme Court of Mississippi****Chief Justice**

William L. Waller, Jr.

**Presiding Justices**

Jess H. Dickinson

Michael K. Randolph

**Justices**

Ann H. Lamar

James W. Kitchens

David A. Chandler

Randy G. Pierce

Leslie D. King

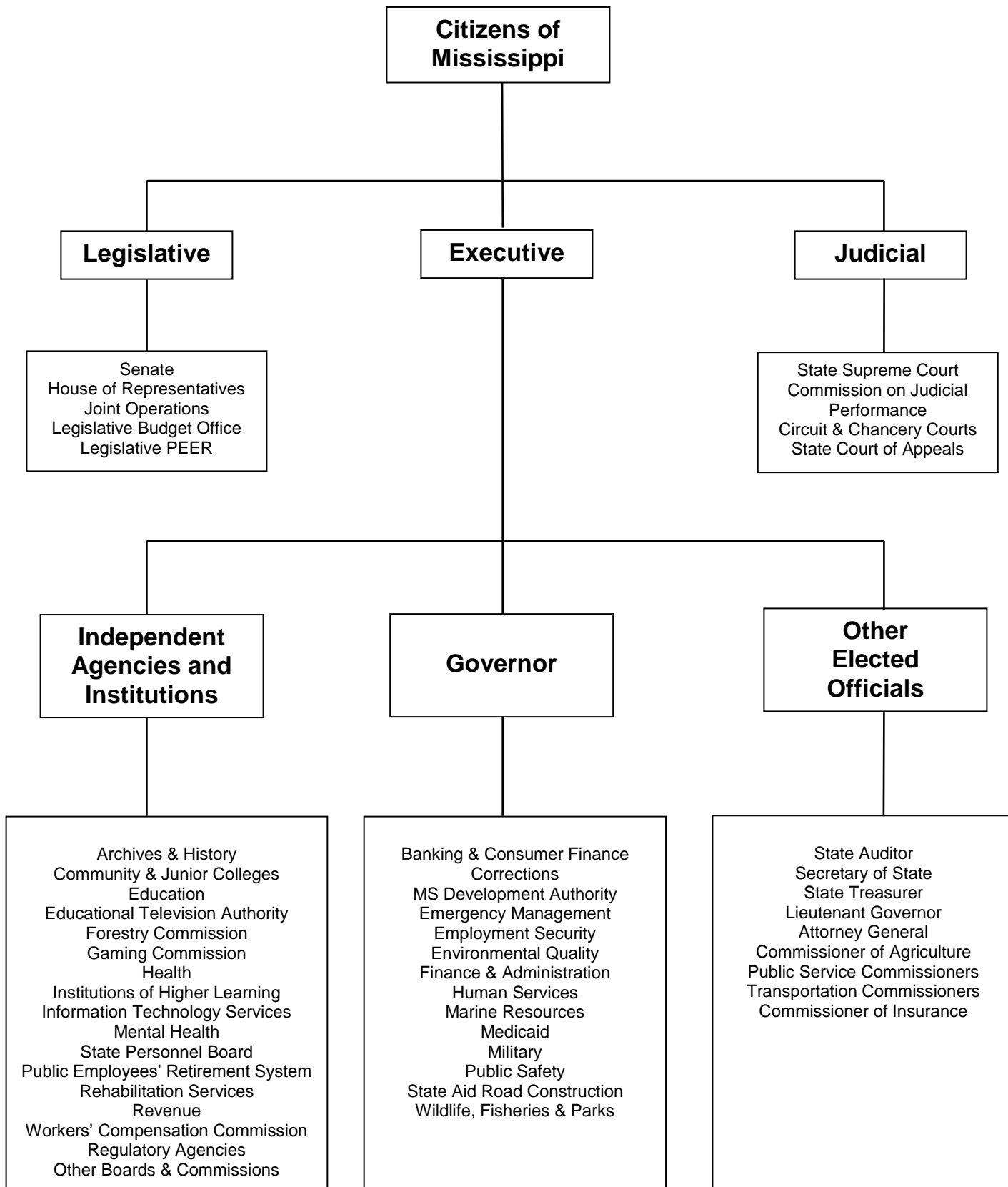
Josiah D. Coleman

**Clerk of the Supreme Court**

Kathy Gillis

# Mississippi

## Organization Chart





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**State of Mississippi**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

Executive Director/CEO





**STATE OF MISSISSIPPI  
OFFICE OF THE STATE AUDITOR  
STACEY E. PICKERING  
AUDITOR**

**INDEPENDENT AUDITOR'S REPORT**

The Governor, Members of the Legislature  
and Citizens of the State of Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of Mississippi (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- Government-wide Financial Statements

- Governmental Activities

- the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the Mississippi Authority for Educational Television, the State Agencies Self-Insured Workers' Compensation Trust Fund, and selected funds at the Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Finance and Administration – Office of Insurance, the Department of Information Technology Services, the Department of Marine Resources, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Development Authority, the Mississippi Emergency Management Agency, the Department of Public Safety, the Department of Rehabilitation Services and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 8% and 42%, respectively, of the assets and revenues of the governmental activities;

- Business-type Activities

- AbilityWorks, Inc. within the Department of Rehabilitation Services, the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program, the Veterans' Home Purchase Board and the Unemployment Compensation Fund which, in the aggregate, represent 96% and 94%, respectively, of the assets and revenues of the business-type activities;

- Component Units
    - the Universities and the nonmajor component units.
  - Fund Financial Statements
    - Governmental Funds
      - the Department of Environmental Quality Clean Water State Revolving Loan Fund, the Department of Health Local Governments and Rural Water Systems Improvements Revolving Loan Fund, the Mississippi Authority for Educational Television and selected funds at the Department of Corrections, the Department of Employment Security, the Department of Environmental Quality, the Department of Information Technology Services, the Department of Marine Resources, the Office of the Governor - Division of Medicaid, the Military Department, the Mississippi Development Authority, the Mississippi Emergency Management Agency, the Department of Public Safety, the Department of Rehabilitation Services, and the Department of Wildlife, Fisheries and Parks which, in the aggregate, represent 23% and 39%, respectively, of the assets and revenues of the General Fund;
    - Proprietary Funds
      - the Port Authority at Gulfport, the Mississippi Prepaid Affordable College Tuition Program and the Unemployment Compensation Fund which are considered major enterprise funds;
    - Aggregate Remaining Funds
      - the State Agencies Self-Insured Workers' Compensation Trust Fund and selected funds at the Department of Information Technology Services and the Department of Finance and Administration – Office of Insurance within the Internal Service Fund;
      - nonmajor enterprise funds for AbilityWorks, Inc. within the Department of Rehabilitation Services and the Veterans' Home Purchase Board;
      - the Pension Trust Funds;
      - the Private-Purpose Trust Funds of the Mississippi Affordable College Savings Program;
- all of which represent 99% and 99%, respectively, of the assets and revenues of the aggregate remaining funds.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us; and our opinions, insofar as they relate to the amounts included for those agencies, funds, and component units, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we express no such opinion. The financial statements of the Mississippi State University Foundation, Inc., the University of Mississippi Foundation, the University of Southern Mississippi Foundation, the University of Mississippi Medical Center



Educational Building Corporation, the University of Mississippi Educational Building Corporation, the University of Mississippi Medical Center Tort Claims Fund, the State Institutions of Higher Learning Self-Insured Workers' Compensation Fund and the State Institutions of Higher Learning Tort Liability Fund, which were audited by other auditors upon whose reports we are relying, were audited in accordance with auditing standards generally accepted in the United States of America, but not in accordance with *Government Auditing Standards*. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we and other auditors have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Mississippi, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1 to the basic financial statements, in 2014, the State of Mississippi adopted the following Governmental Accounting Standards Board (GASB) standards: GASB Statement No. 66, *Technical Corrections – 2012* - an amendment of GASB Statements No. 10 and No. 62; GASB Statement No. 67, *Financial Reporting for Pension Plans* - an amendment of GASB Statement No. 25; and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule and corresponding notes, the Schedule of Funding Progress for Pension Trust Funds and corresponding notes and the Schedule of Funding Progress – Other Postemployment Benefits listed in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Mississippi's basic financial statements. The introductory section, the supplementary information such as the combining and individual fund financial statements and supporting schedules and the statistical section as listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

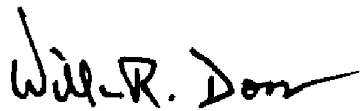
The combining and individual fund financial statements and supporting schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the reports of the other auditors, the combining and individual fund financial statements and supporting schedules are fairly stated in all material respects in relation to the basic financial statements

as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2015, on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Will R. Doss". The signature is written in a cursive, flowing style.

**WILLIAM R. DOSS, CPA**  
Director, Financial and Compliance  
Audit Division

Jackson, Mississippi  
February 12, 2015

## Management's Discussion and Analysis

The following discussion and analysis of the State of Mississippi's financial performance provides an overview of the State's financial activities for the fiscal year ended June 30, 2014. Readers are encouraged to consider the information presented here in conjunction with the transmittal letter, which is located in the Introduction of this report, and the State's financial statements, which immediately follow this discussion and analysis.

### Financial Highlights

**Government-wide** - The assets and deferred outflows of resources of the State exceeded its liabilities at the close of the fiscal year by \$15,141,570,000 (reported as "net position"). Of this amount, a negative \$2,823,293,000 was reported as "unrestricted net position", which means that it would be necessary to convert a portion of the restricted component of net position to unrestricted if the government's ongoing obligations to citizens and creditors were immediately due and payable. The State had \$4,236,636,000 in restricted net position. Net position of governmental activities and business-type activities increased by \$506,315,000 and \$14,844,000, respectively.

**Fund Level** - At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$4,284,374,000, which is \$37,656,000 greater than the previous year. Federal government revenues continued their downward trend with many programs ending and others not being renewed. Revenues from taxes grew once again as the economy continued to improve. As overall revenues increased, expenditures followed suit.

**Long-term Debt** - The total outstanding net long-term bonds and notes were \$5,392,113,000 at June 30, 2014. During the year, the State issued \$364,615,000 in bonds and notes, net of premiums. These bonds and notes were issued primarily for capital improvements, and transportation projects.

### Overview of the Financial Statements

This discussion and analysis serves as an introduction to the State's basic financial statements, which include government-wide financial statements, fund financial statements, and the notes to the financial statements. This report also contains required supplementary information and other supplementary information.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the State's finances. These statements consist of the statement of net position and the statement of activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The statement of net position presents all of the State's nonfiduciary assets, deferred outflows of resources, and liabilities, with the difference reported as net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements for the primary government report two types of activities:

**Governmental Activities** - The State's basic services are reported here, including general government; education; health and social services; law, justice and public safety; recreation and resource development; regulation of business and professions; and transportation. Taxes and federal grants finance most of these activities.

**Business-type Activities** - The cost of providing goods or services to the general public, which is financed or recovered primarily through user charges, is reported here. State fair and coliseum operations; home mortgage loans to veterans; port facilities; and unemployment compensation services are examples of these activities.

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The State's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds. These categories use different accounting approaches and should be interpreted differently.

**Governmental Funds** - Most of the State's general activities are reported in governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

# Mississippi

However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. This approach focuses on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the State's near-term financing requirements. Governmental funds are comprised of the General Fund, which is presented separately as a major fund, and permanent funds.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it may be useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the State's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Proprietary Funds** - The State maintains two types of proprietary funds: enterprise and internal service. Enterprise funds charge fees for services to outside customers. They are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting, and are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds provide personnel, insurance, and information technology services to other state agencies, as well as other governmental entities, on a cost reimbursement basis. Because these services primarily benefit governmental rather than business-type functions, they have been included in governmental activities on the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The Unemployment Compensation Fund, the Port Authority at Gulfport Fund, and the Prepaid Affordable College Tuition Fund are presented separately as major funds, with the nonmajor enterprise funds combined into a single column. The internal service funds are presented in a single column on the proprietary fund statements as well. The eight nonmajor enterprise funds and the three internal service funds are presented in detail in the combining financial statements.

**Fiduciary Funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the state government. Because these resources are not available to support the State's own programs, fiduciary funds are not reported in the government-wide financial statements. The State's fiduciary activities are presented in a statement of fiduciary net position and a statement of changes in fiduciary net position, with related combining financial statements. These funds, which include pension trust funds, private-purpose trust funds, and agency funds, are reported using the accrual basis of accounting.

## Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental fund financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements. Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on the government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements. Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the component unit financial statements.

## Other Information

This report also contains the following required supplementary information (RSI): the Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds and the Schedule of Funding Progress for pension trust funds and for other post-employment benefits, along with the accompanying notes. The combining financial statements are presented as supplementary information immediately following the RSI.

# Mississippi

## Government-wide Financial Analysis

### Net Position

The State's combined net position for governmental and business-type activities increased \$521,159,000 in fiscal year 2014. Current year net position is \$15,141,570,000 in contrast to the prior year balance of \$14,620,411,000. Business-type activities reported positive balances in all three components of net position, while governmental activities and the State as a whole continued to reflect a negative balance in the unrestricted component of net position.

The largest share of net position, 90.7 percent, consisted of investment in capital assets such as land, buildings, machinery and equipment, and infrastructure, less any outstanding debt used to acquire those assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

Net investment in capital assets increased \$354,712,000 from the previous year. The governmental activities' increase of \$322,719,000 was primarily due to additions to construction in progress related to building projects, as well as additions to infrastructure for roads, highways, and bridges. The business-type activities' increase of \$31,993,000 is directly attributed to ongoing construction projects at the Port Authority at Gulfport.

Restricted net position, representing resources that are subject to externally imposed restrictions, comprised 28.0 percent of total net position, as compared to 28.6 percent in the prior year. The remaining negative balance represented unrestricted net position of \$2,823,293,000. A negative balance means that it would be necessary to convert restricted assets to unrestricted assets if all ongoing obligations were immediately due and payable. The positive balance of \$212,462,000 in business-type activities may be used to meet ongoing obligations to citizens and creditors; however, internally imposed designations of certain resources further limit the purposes for which those net position may be used.

### Net Position (amounts expressed in thousands)

|                                     | Governmental<br>Activities |               | Business-type<br>Activities |              | Total         |               |
|-------------------------------------|----------------------------|---------------|-----------------------------|--------------|---------------|---------------|
|                                     | 2014                       | 2013          | 2014                        | 2013         | 2014          | 2013          |
| Current and other assets            | \$ 6,278,663               | \$ 6,304,829  | \$ 1,311,263                | \$ 1,257,541 | \$ 7,589,926  | \$ 7,562,370  |
| Capital assets                      | 14,945,218                 | 14,441,890    | 320,967                     | 291,469      | 15,266,185    | 14,733,359    |
| Total Assets                        | 21,223,881                 | 20,746,719    | 1,632,230                   | 1,549,010    | 22,856,111    | 22,295,729    |
| Deferred outflows<br>of resources   | 122,121                    | 134,064       |                             |              | 122,121       | 134,064       |
| Noncurrent liabilities              | 5,428,491                  | 5,396,804     | 481,882                     | 404,715      | 5,910,373     | 5,801,519     |
| Other liabilities                   | 1,889,064                  | 1,961,847     | 37,225                      | 46,016       | 1,926,289     | 2,007,863     |
| Total Liabilities                   | 7,317,555                  | 7,358,651     | 519,107                     | 450,731      | 7,836,662     | 7,809,382     |
| Net position:                       |                            |               |                             |              |               |               |
| Net investment in<br>capital assets | 13,430,397                 | 13,107,678    | 297,830                     | 265,837      | 13,728,227    | 13,373,515    |
| Restricted                          | 3,633,805                  | 3,602,589     | 602,831                     | 578,710      | 4,236,636     | 4,181,299     |
| Unrestricted                        | (3,035,755)                | (3,188,135)   | 212,462                     | 253,732      | (2,823,293)   | (2,934,403)   |
| Total Net Position                  | \$ 14,028,447              | \$ 13,522,132 | \$ 1,113,123                | \$ 1,098,279 | \$ 15,141,570 | \$ 14,620,411 |

# Mississippi

## Changes in Net Position

Operating grants and contributions of \$6,853,241,000 and taxes of \$6,862,681,000 were the State's major revenue sources. Together, they accounted for 81.4 percent of total revenues. Revenue from taxes increased \$393,546,000 over the prior year to improve net position. Conversely, operating grants and contributions decreased by \$243,125,000 with several federal programs ending. As in the prior year, the majority of the State's total expenses were related to the health and social services function at \$7,394,045,000 or 46.4 percent. Expenses within this function rose over the prior year by \$21,960,000 as medical expenses continued their upswing. Unemployment compensation expenses were down by \$134,184,000 as fewer claims were filed driven by an improving economy.

### Changes in Net Position

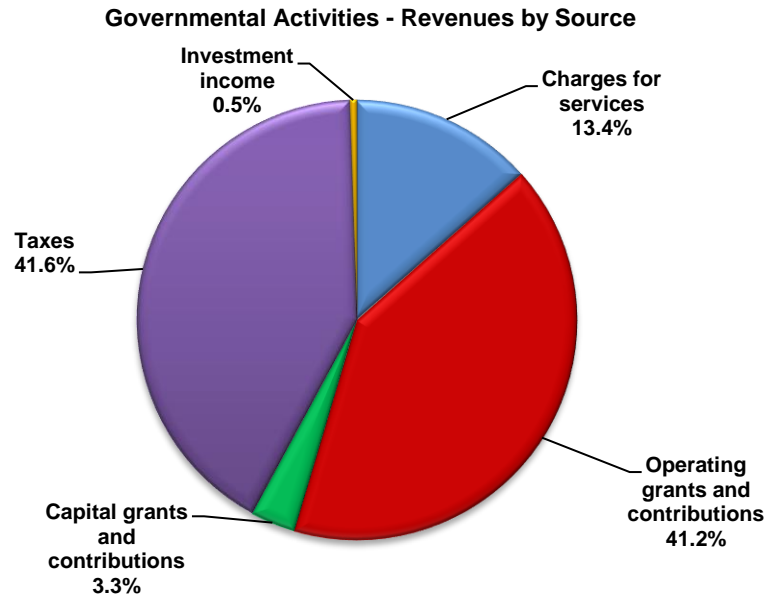
(amounts expressed in thousands)

|  | Governmental<br>Activities |               | Business-type<br>Activities |              | Total         |               |
|--|----------------------------|---------------|-----------------------------|--------------|---------------|---------------|
|  | 2014                       | 2013          | 2014                        | 2013         | 2014          | 2013          |
| Revenues:                              |                            |               |                             |              |               |               |
| Program Revenues:                      |                            |               |                             |              |               |               |
| Charges for services                   | \$ 2,216,861               | \$ 2,246,921  | \$ 209,277                  | \$ 258,567   | \$ 2,426,138  | \$ 2,505,488  |
| Operating grants and contributions     | 6,796,079                  | 6,934,753     | 57,162                      | 161,613      | 6,853,241     | 7,096,366     |
| Capital grants and contributions       | 548,283                    | 561,283       | 33                          | 904          | 548,316       | 562,187       |
| General Revenues:                      |                            |               |                             |              |               |               |
| Taxes                                  | 6,862,681                  | 6,469,135     |                             |              | 6,862,681     | 6,469,135     |
| Investment income                      | 82,307                     | 9,208         | 70,196                      | 59,600       | 152,503       | 68,808        |
| Total Revenues                         | 16,506,211                 | 16,221,300    | 336,668                     | 480,684      | 16,842,879    | 16,701,984    |
| Expenses:                              |                            |               |                             |              |               |               |
| General government                     | 2,069,107                  | 2,028,155     |                             |              | 2,069,107     | 2,028,155     |
| Education                              | 3,996,554                  | 3,912,889     |                             |              | 3,996,554     | 3,912,889     |
| Health and social services             | 7,394,045                  | 7,372,085     |                             |              | 7,394,045     | 7,372,085     |
| Law, justice and public safety         | 923,952                    | 983,870       |                             |              | 923,952       | 983,870       |
| Recreation and resource development    | 637,850                    | 587,367       |                             |              | 637,850       | 587,367       |
| Regulation of business and professions | 39,174                     | 39,703        |                             |              | 39,174        | 39,703        |
| Transportation                         | 647,532                    | 596,160       |                             |              | 647,532       | 596,160       |
| Interest on long-term debt             | 243,099                    | 247,012       |                             |              | 243,099       | 247,012       |
| Unemployment compensation              |                            |               | 204,206                     | 338,390      | 204,206       | 338,390       |
| Port Authority at Gulfport             |                            |               | 25,688                      | 28,589       | 25,688        | 28,589        |
| Prepaid affordable college tuition     |                            |               | 103,134                     | 41,278       | 103,134       | 41,278        |
| Other business-type                    |                            |               | 37,379                      | 35,421       | 37,379        | 35,421        |
| Total Expenses                         | 15,951,313                 | 15,767,241    | 370,407                     | 443,678      | 16,321,720    | 16,210,919    |
| Excess/(Deficit) before Transfers      | 554,898                    | 454,059       | (33,739)                    | 37,006       | 521,159       | 491,065       |
| Transfers                              | (48,583)                   | (82,478)      | 48,583                      | 82,478       |               |               |
| Change in Net Position                 | 506,315                    | 371,581       | 14,844                      | 119,484      | 521,159       | 491,065       |
| Net Position - Beginning               | 13,522,132                 | 13,150,551    | 1,098,279                   | 978,795      | 14,620,411    | 14,129,346    |
| Net Position - Ending                  | \$ 14,028,447              | \$ 13,522,132 | \$ 1,113,123                | \$ 1,098,279 | \$ 15,141,570 | \$ 14,620,411 |

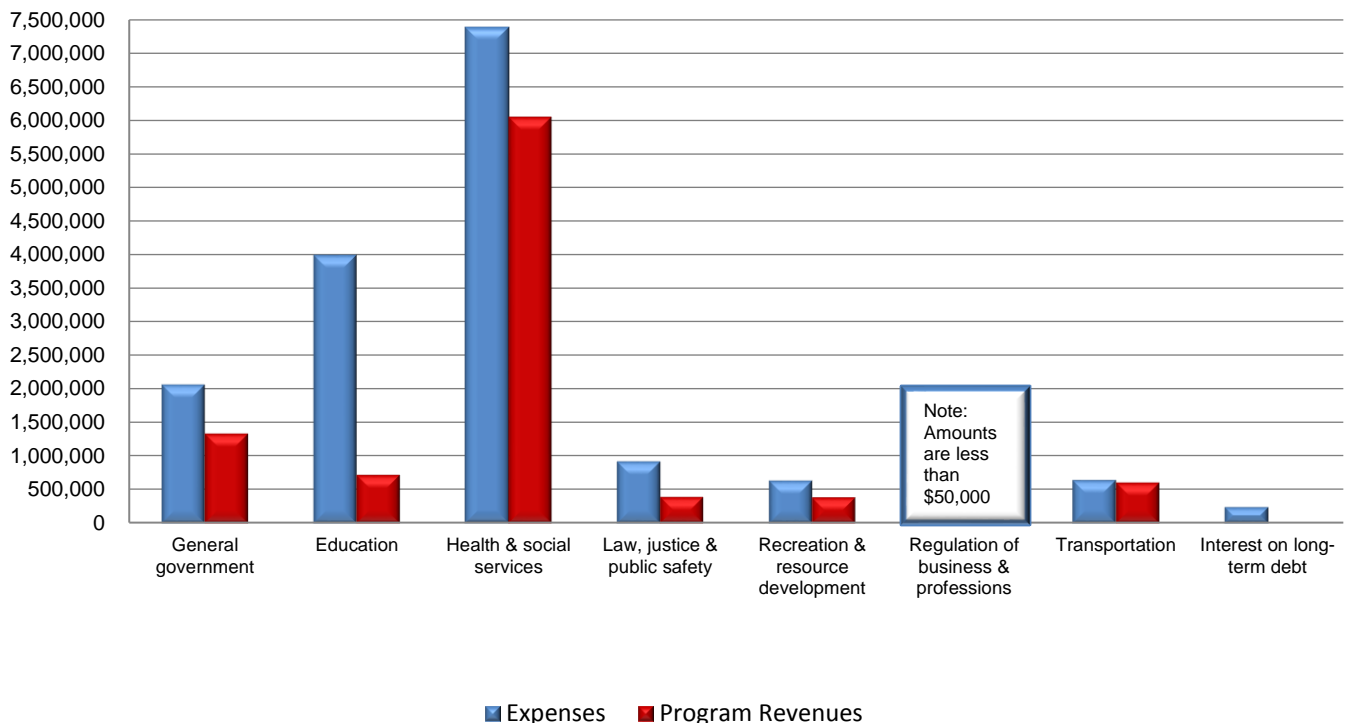
# Mississippi

## Governmental Activities

Governmental activities increased the State's net position by 506,315,000 for fiscal year 2014. Taxes, the largest source of revenue at 41.6 percent, increased by \$393,546,000 in comparison to the prior year. The health and social services function was the predominate leader in both the expenses and program revenues at \$7,394,045,000 and \$6,055,021,000, respectively. Education expenses of \$3,996,554,000 exceeded program revenues of \$723,962,000 resulting in a negative \$3,272,592,000 to be funded from general revenues.



**Governmental Activities - Expenses and Program Revenues**  
(amounts expressed in thousands)

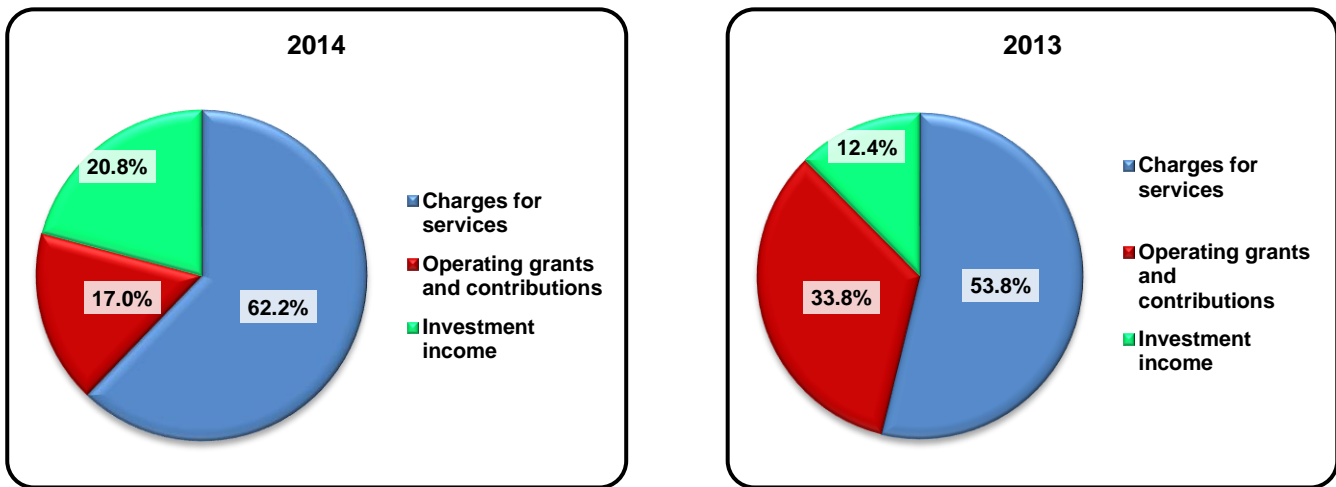


# Mississippi

## Business-type Activities

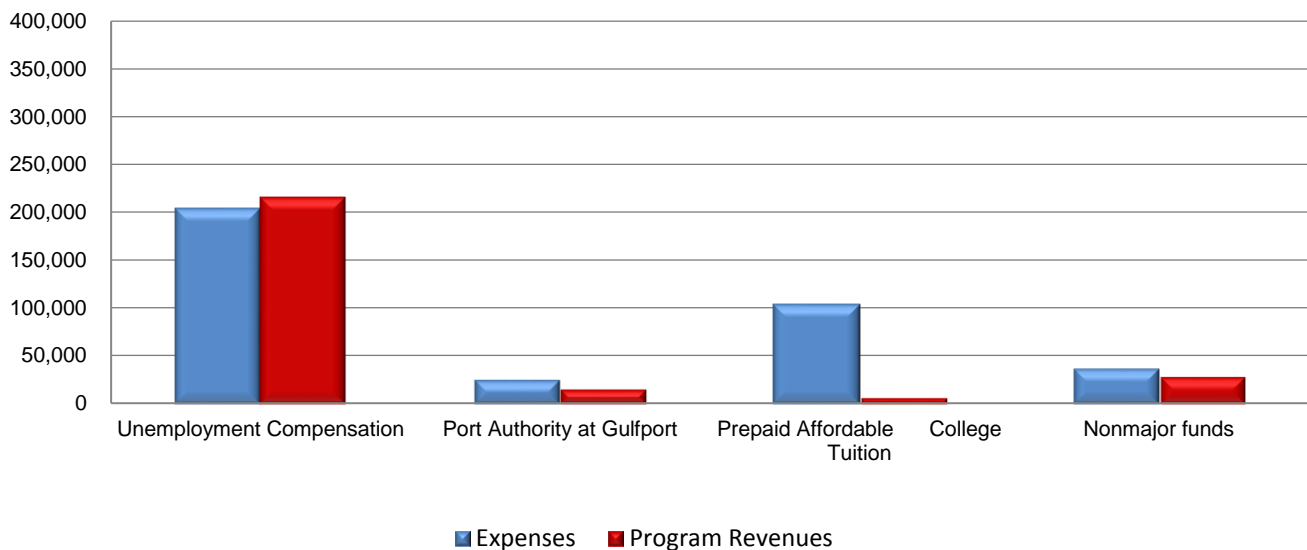
Business-type activities increased the State's net position by \$14,844,000. Revenues by source shifted as the percentage of investment income grew by 8.4 percent which was a reflection of the general improvement in the investment market. The share of revenues for operating grants and contributions decreased by 16.8 percent signaling a decrease in monies from the federal government for the Unemployment Compensation Fund. Charges for services comprise the remainder of revenues and the percentage was up by 8.4 percent across the board. For the current year, the Unemployment Compensation Fund had decreases in both program revenues and expenses with a positive change in net position of \$24,121,000 as the trend continued with fewer people filing for unemployment benefits.

### Business-type Activities - Revenues by Source



### Business-type Activities - Expenses and Program Revenues

(amounts expressed in thousands)





# Mississippi

## Financial Analysis of the State's Individual Funds

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### Governmental Funds

At June 30, 2014, the governmental funds reported combined fund balances of \$4,284,374,000, indicating an increase of \$37,656,000 from the prior year. Within fund balances, \$108,511,000 or 2.5 percent was classified as nonspendable. The majority of the fund balance, \$3,453,844,000 or 80.6 percent was restricted. Committed fund balance equaled \$139,936,000 or 3.2 percent of the total. Assigned fund balance comprised 0.3 percent or \$10,503,000. The remaining 13.4 percent, or \$571,580,000, of fund balance was unassigned.

The General Fund is the chief operating fund of the State. The General Fund increased \$37,006,000 from the prior year to an ending fund balance of \$4,222,761,000. The \$138,327,000 increase in corporate income and franchise tax revenues was a result of extremely robust corporate tax collections. A \$141,752,000 rise in sales and use tax revenues was in tandem with the improvement in the economy. Several grant programs reached the end of their funding period and others did not renew bringing federal government revenues down by \$151,516,000. As a result, expenditures in the law, justice and public safety function was directly impacted with a decrease of \$54,344,000. The largest portion of the \$31,060,000 increase in health and social services expenditures was attributed to Medicaid. Due to mandates issued for the Affordable Care Act, Medicaid had an increase in the number of enrolled beneficiaries.

### Proprietary Funds

The Unemployment Compensation Fund experienced an increase in net position of \$24,121,000 as compared to the prior year which had a slightly higher increase of \$37,835,000. Operating expenses decreased by \$134,184,000 from the prior year as a result of a reduction in claims and benefits expense as the economy continued to gradually improve. The \$104,356,000 decline in federal revenue and the \$43,974,000 decline in assessments are tied directly to this trend.

The Port Authority at Gulfport Fund increased net position by \$32,531,000 as compared to a larger \$58,827,000 increase reported in the prior year. Operating revenues were flat while operating expenses decreased \$2,705,000. The increase in net position is attributable to the \$41,972,000 received in federal pass through grants from other state agencies which enabled the Port to continue the implementation of its facility restoration plan.

The Prepaid Affordable College Tuition Fund had an \$46,944,000 decrease in net position, after experiencing a \$11,567,000 increase in the prior year. The program's enrollment was deferred in August 2012, resulting in a \$6,407,000 decrease in tuition receipts. Although no new contracts were sold during FY 2014, the program still collected contributions from its current contract holders. The \$61,770,000 increase in claims and benefits expense was directly related changes to the program's actuarial assumptions. Investments increased by \$42,257,000 due to improving market conditions as well as realized gains on investments.

### General Fund Budgetary Highlights

The original estimated growth rate for fiscal year 2014 General Fund revenues was 2.8 percent. This estimate was revised to sine die, which reflected a 0.7 percent decline, then in October 2013 to a 2.0 percent growth rate and finally revised in March 2014 to reflect a growth of 4.9 percent. Actual fiscal year 2014 General Fund revenue collections were 5.6 percent higher than the prior year. Each of these revenue components grew: 2.3 percent in sales tax, 1.0 percent in individual income tax, and 29.2 percent in corporate income and franchise tax.

Actual fiscal year 2014 revenues were \$293,345,000 higher than in the prior year. These same revenues were \$320,107,000 above estimated amounts. Positive revenue variances occurred in two of the largest General Fund revenue components: corporate income and franchise tax - \$212,546,000, and sales tax - \$9,113,000. The final expenditure budget was \$6,044,000 more than the original budget and actual expenditures were \$12,918,000 less than the final budget.

# Mississippi

## Capital Assets and Debt Administration

### Capital Assets

The State's investment in capital assets for governmental and business-type activities as of June 30, 2014 amounted to \$19,857,196,000, less accumulated depreciation of \$4,591,011,000, resulting in a net book value of \$15,266,185,000. For the current fiscal year, both governmental activities and business-type activities increased by \$503,328,000 and \$29,498,000, respectively. The current year percentages included increases of 3.5 and 10.1, respectively, while the prior fiscal year boasted increases of 4.1 and 22.5, respectively.

Major capital asset events during fiscal year 2014 included the following:

Infrastructure for governmental activities had the largest increase of any asset class with \$916,544,000. Pavement rehabilitations took place in Forrest, Jackson, Lamar, Neshoba, and Rankin counties. Vision 21 highway projects were completed in Desoto, Itawamba, Lowndes, Neshoba, Newton, Pike, and Union counties. Phase III of the Four Lane Highway Program was finalized in Bolivar, George, Greene, and Mongtomery counties.

Construction in progress increased significantly by \$786,528,000. Mississippi Department of Transportation accounts for the majority of this increase with \$728,043,000. The Department of Finance and Administration added \$31,023,000 in building projects which included renovations to the Department of Public Safety Central Mississippi Crime Lab, the Mississippi Museum's Civil Rights and History Museum, and the Department of Rehabilitations Services.

During fiscal year 2014, net capital assets for business-type activities increased by \$29,498,000. The Port Authority at Gulfport added \$36,373,000 to construction in progress, which includes the first phase of wharf upgrades and the shoreline protection project. These projects were 95 percent complete at year end. The West Pier security gate complex and the third and final phase of the 84 acre fill project, valued at \$61,769,000, were completed and moved from construction in progress to land and buildings.

Additional information about the State's capital assets is presented in Note 8 to the financial statements. Note 16 addresses the State's outstanding long-term contracts related to the construction of state and county roads, highways, and bridges, as well as building projects for various state agencies.

### Capital Assets, Net of Depreciation

(amounts expressed in thousands)

|                          | Governmental<br>Activities |                      | Business-type<br>Activities |                   | Total                |                      |
|--------------------------|----------------------------|----------------------|-----------------------------|-------------------|----------------------|----------------------|
|                          | 2014                       | 2013                 | 2014                        | 2013              | 2014                 | 2013                 |
| Land                     | \$ 2,234,358               | \$ 2,179,301         | \$ 130,416                  | \$ 71,111         | \$ 2,364,774         | \$ 2,250,412         |
| Software                 | 56,631                     | 1,448                |                             |                   | 56,631               | 1,448                |
| Buildings                | 1,501,715                  | 1,454,997            | 55,667                      | 54,826            | 1,557,382            | 1,509,823            |
| Land improvements        | 119,225                    | 118,614              | 18,467                      | 18,763            | 137,692              | 137,377              |
| Machinery and equipment  | 255,836                    | 221,795              | 8,224                       | 8,540             | 264,060              | 230,335              |
| Infrastructure           | 6,674,282                  | 6,057,721            | 72,106                      | 76,027            | 6,746,388            | 6,133,748            |
| Construction in progress | 4,103,171                  | 4,408,014            | 36,087                      | 62,202            | 4,139,258            | 4,470,216            |
| Total                    | <u>\$ 14,945,218</u>       | <u>\$ 14,441,890</u> | <u>\$ 320,967</u>           | <u>\$ 291,469</u> | <u>\$ 15,266,185</u> | <u>\$ 14,733,359</u> |

# Mississippi

## Debt Administration

As of June 30, 2014, outstanding general obligation debt for the State was \$4,313,146,000, including premiums. General Obligation Refunding bonds of \$1,725,184,000, Capital Improvements bonds of \$1,106,481,000, and Industry Incentive Financing bonds of \$336,605,000 comprise 73.0 percent of this outstanding debt. During the current fiscal year, the State issued \$339,165,000 in general obligation bonds which are reported in governmental activities. These bonds were primarily issued for capital improvements, and transportation projects. Within business-type activities, general obligation bonds decreased by \$2,707,000 as the Port Authority at Gulfport continued to repay its long-term debt.

Mississippi has a rating of AA from Standard and Poor's, AA+ from Fitch, and Aa2 from Moody's. These ratings are based upon the State's conservative fiscal management practices, manageable debt levels, favorable effects of various budgetary reforms and the potential for future economic diversification.

The State's constitutional debt limit is established at one and one-half times the sum of all revenues collected by the State during any one of the four preceding fiscal years, whichever may be higher. Current practice restricts revenues included in the computation of this debt limitation to the following: taxes; licenses, fees and permits; investment income; rental income; service charges including net income from the Alcoholic Beverage Control Division; and fines, forfeitures and penalties. As of June 30, 2014, the State had established a constitutional legal debt limit of \$12,823,921,000, which significantly exceeds the amount of debt applicable to the debt limit. Additional information about the State's long-term debt can be found in Notes 9 through 13 to the financial statements.

### Outstanding Long-term Debt Bonds and Notes (amounts expressed in thousands)

|                                       | Governmental<br>Activities |                     | Business-type<br>Activities |                  | Total               |                     |
|---------------------------------------|----------------------------|---------------------|-----------------------------|------------------|---------------------|---------------------|
|                                       | 2014                       | 2013                | 2014                        | 2013             | 2014                | 2013                |
| General obligation<br>bonds and notes | \$ 4,297,643               | \$ 4,207,238        | \$ 15,503                   | \$ 18,210        | \$ 4,313,146        | \$ 4,225,448        |
| Notes payable                         | 1,078,967                  | 1,140,010           |                             |                  | 1,078,967           | 1,140,010           |
| Total                                 | <u>\$ 5,376,610</u>        | <u>\$ 5,347,248</u> | <u>\$ 15,503</u>            | <u>\$ 18,210</u> | <u>\$ 5,392,113</u> | <u>\$ 5,365,458</u> |

## Economic Factors and Next Year's Budget

The State's average unemployment rate for the calendar year 2013 average was 8.6 percent. The average for the twelve months ending November 2014 dropped to 7.7 percent. The national average rates were more favorable at 7.4 percent and 6.3 percent for the same time periods. Current inflationary trends in the region compare favorably to national indexes.

During fiscal year 2015, the economy of the State is expected to improve slightly. The initial estimated overall fiscal year 2015 General Fund revenue growth rate was 1.1 percent, with component revenue growth projections of 4.6 percent in sales tax, 4.2 percent in individual income tax and negative 1.6 percent in corporate income and franchise tax. The overall estimate in November 2014 remained constant at 1.1 percent. The November component revenue projections were 5.0 percent in sales tax, 4.9 percent in individual income tax and negative 3.8 percent in corporate income and franchise tax.

## Request for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State of Mississippi's finances and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact: Department of Finance and Administration, Office of Financial Reporting, P. O. Box 1060, Jackson, MS 39215.

# *Mississippi*

## Basic Financial Statements

# Mississippi

## Statement of Net Position

June 30, 2014 (Expressed in Thousands)

|                                       | Primary Government         |                             |              | Component<br>Units |
|---------------------------------------|----------------------------|-----------------------------|--------------|--------------------|
|                                       | Governmental<br>Activities | Business-type<br>Activities | Total        |                    |
| <b>Assets</b>                         |                            |                             |              |                    |
| Current assets:                       |                            |                             |              |                    |
| Equity in internal investment pool    | \$ 3,495,073               | \$ 67,321                   | \$ 3,562,394 | \$ 13,112          |
| Cash and cash equivalents             | 301,917                    | 599,276                     | 901,193      | 431,091            |
| Investments                           | 76,210                     | 23,812                      | 100,022      | 240,396            |
| Receivables, net                      | 609,077                    | 70,554                      | 679,631      | 286,423            |
| Restricted assets:                    |                            |                             |              |                    |
| Cash and cash equivalents             |                            | 151                         | 151          |                    |
| Due from other governments, net       | 527,868                    | 573                         | 528,441      | 147                |
| Internal balances                     | (15,323)                   | 15,323                      |              |                    |
| Due from component units              | 1,270                      | 252                         | 1,522        |                    |
| Due from primary government           |                            |                             |              | 30,165             |
| Inventories                           | 37,061                     | 780                         | 37,841       | 29,937             |
| Prepaid items                         |                            | 536                         | 536          | 24,393             |
| Loans and notes receivable, net       | 33,307                     | 5,375                       | 38,682       | 39,398             |
| Other assets                          |                            |                             |              | 3,361              |
| Total Current Assets                  | 5,066,460                  | 783,953                     | 5,850,413    | 1,098,423          |
| Noncurrent assets:                    |                            |                             |              |                    |
| Investments                           | 153,084                    | 376,289                     | 529,373      | 577,507            |
| Receivables, net                      | 145,853                    |                             | 145,853      |                    |
| Due from other governments, net       | 620,058                    |                             | 620,058      |                    |
| Loans and notes receivable, net       | 293,208                    | 150,571                     | 443,779      | 142,007            |
| Restricted assets:                    |                            |                             |              |                    |
| Cash and cash equivalents             |                            | 450                         | 450          | 198,143            |
| Investments                           |                            |                             |              | 937,643            |
| Capital assets:                       |                            |                             |              |                    |
| Land and construction in progress     | 6,337,529                  | 166,503                     | 6,504,032    | 602,721            |
| Other capital assets, net             | 8,607,689                  | 154,464                     | 8,762,153    | 2,947,680          |
| Other assets                          |                            |                             |              | 19,333             |
| Total Noncurrent Assets               | 16,157,421                 | 848,277                     | 17,005,698   | 5,425,034          |
| Total Assets                          | 21,223,881                 | 1,632,230                   | 22,856,111   | 6,523,457          |
| <b>Deferred Outflows of Resources</b> |                            |                             |              |                    |
| Deferred amount on refunding          | 122,101                    |                             | 122,101      | 7,376              |
| Interest rate swaps                   | 20                         |                             | 20           |                    |
| Total Deferred Outflows               | \$ 122,121                 | \$                          | \$ 122,121   | \$ 7,376           |

(Continued on Next Page)

# Mississippi

## Statement of Net Position

June 30, 2014 (Expressed in Thousands)

(Continued from Previous Page)

|   | Primary Government      |                          |               | Component Units |
|---|-------------------------|--------------------------|---------------|-----------------|
|   | Governmental Activities | Business-type Activities | Total         |                 |
| <b>Liabilities</b>                          |                         |                          |               |                 |
| Current liabilities:                        |                         |                          |               |                 |
| Warrants payable                            | \$ 59,834               | \$ 1,263                 | \$ 61,097     | \$ 201,195      |
| Accounts payable and other liabilities      | 579,780                 | 12,991                   | 592,771       |                 |
| Contracts payable                           | 90,352                  | 977                      | 91,329        |                 |
| Income tax refunds payable                  | 214,000                 |                          | 214,000       |                 |
| Due to other governments                    | 323,486                 | 10,493                   | 333,979       |                 |
| Due to component units                      | 30,165                  |                          | 30,165        |                 |
| Due to primary government                   |                         |                          |               | 1,522           |
| Claims and benefits payable                 | 153,041                 | 6,616                    | 159,657       |                 |
| Deposits                                    |                         | 1,565                    | 1,565         | 594             |
| Unearned revenues                           | 97,515                  | 415                      | 97,930        | 96,760          |
| Pollution remediation obligation            | 7,080                   |                          | 7,080         |                 |
| Bonds and notes payable, net                | 327,162                 | 2,833                    | 329,995       | 31,255          |
| Lease obligations payable                   | 6,649                   | 72                       | 6,721         | 1,533           |
| Other liabilities                           |                         |                          |               | 63,719          |
| Total Current Liabilities                   | 1,889,064               | 37,225                   | 1,926,289     | 396,578         |
| Noncurrent liabilities:                     |                         |                          |               |                 |
| Due to other governments                    |                         | 11,232                   | 11,232        |                 |
| Claims and benefits payable                 | 38,820                  | 456,889                  | 495,709       |                 |
| Derivative instruments                      | 39,039                  |                          | 39,039        |                 |
| Other postemployment benefits payable       | 139,943                 |                          | 139,943       |                 |
| Pollution remediation obligation            | 34,777                  |                          | 34,777        |                 |
| Bonds and notes payable, net                | 5,049,448               | 12,670                   | 5,062,118     | 989,039         |
| Lease obligations payable                   | 16,126                  | 272                      | 16,398        | 31,337          |
| Liabilities payable from restricted assets: |                         |                          |               |                 |
| Deposits                                    |                         | 151                      | 151           |                 |
| Other liabilities                           | 110,338                 | 668                      | 111,006       | 257,351         |
| Total Noncurrent Liabilities                | 5,428,491               | 481,882                  | 5,910,373     | 1,277,727       |
| Total Liabilities                           | 7,317,555               | 519,107                  | 7,836,662     | 1,674,305       |
| <b>Net Position</b>                         |                         |                          |               |                 |
| Net investment in capital assets            | 13,430,397              | 297,830                  | 13,728,227    | 2,593,372       |
| Restricted for:                             |                         |                          |               |                 |
| Expendable:                                 |                         |                          |               |                 |
| General government                          | 302,204                 |                          | 302,204       |                 |
| Education                                   | 186,865                 |                          | 186,865       |                 |
| Health and social services                  | 384,424                 |                          | 384,424       |                 |
| Law, justice and public safety              | 112,279                 |                          | 112,279       |                 |
| Recreation and resources development        | 1,366,267               |                          | 1,366,267     |                 |
| Regulation of business and professions      | 59,680                  |                          | 59,680        |                 |
| Transportation                              | 495,180                 |                          | 495,180       |                 |
| Capital projects                            | 286,454                 |                          | 286,454       |                 |
| Debt service                                | 369,002                 |                          | 369,002       | 2,884           |
| Unemployment compensation benefits          |                         | 602,381                  | 602,381       |                 |
| Other purposes                              |                         | 450                      | 450           | 602,062         |
| Nonexpendable:                              |                         |                          |               |                 |
| Education                                   | 58,566                  |                          | 58,566        | 715,600         |
| Health and social services                  | 2,025                   |                          | 2,025         |                 |
| Recreation and resources development        | 10,859                  |                          | 10,859        |                 |
| Unrestricted (deficit)                      | (3,035,755)             | 212,462                  | (2,823,293)   | 942,610         |
| Total Net Position                          | \$ 14,028,447           | \$ 1,113,123             | \$ 15,141,570 | \$ 4,856,528    |

The accompanying notes to the financial statements are an integral part of this statement.

# Mississippi

## Statement of Activities

For the Year Ended June 30, 2014 (Expressed in Thousands)

| Functions/Programs                     | Expenses      | Program Revenues           |  |  |
|--|---------------|----------------------------|--|--|
|  |               | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |
| <b>Primary government:</b>             |               |                            |  |  |
| Governmental activities:               |               |                            |  |  |
| General government                     | \$ 2,069,107  | \$ 1,310,188               | \$ 27,756                                | \$ 712                                 |
| Education                              | 3,996,554     | 23,989                     | 699,973                                  |  |
| Health and social services             | 7,394,045     | 583,738                    | 5,471,232                                | 51                                     |
| Law, justice and public safety         | 923,952       | 126,054                    | 266,542                                  | 4,295                                  |
| Recreation and resource development    | 637,850       | 79,287                     | 311,649                                  | 1,059                                  |
| Regulation of business and professions | 39,174        | 43,764                     | 708                                      |  |
| Transportation                         | 647,532       | 49,841                     | 18,219                                   | 542,166                                |
| Interest on long-term debt             | 243,099       |                            |  |  |
| Total Governmental Activities          | 15,951,313    | 2,216,861                  | 6,796,079                                | 548,283                                |
| Business-type activities:              |               |                            |  |  |
| Unemployment compensation              | 204,206       | 158,741                    | 57,162                                   |  |
| Port Authority at Gulfport             | 25,688        | 15,603                     |  |  |
| Prepaid affordable college tuition     | 103,134       | 6,370                      |  |  |
| Other business-type                    | 37,379        | 28,563                     |  | 33                                     |
| Total Business-type Activities         | 370,407       | 209,277                    | 57,162                                   | 33                                     |
| Total Primary Government               | \$ 16,321,720 | \$ 2,426,138               | \$ 6,853,241                             | \$ 548,316                             |
| <b>Component units:</b>                |               |                            |  |  |
| Universities                           | \$ 3,169,007  | \$ 1,791,714               | \$ 481,346                               | \$ 65,654                              |
| Nonmajor                               | 38,357        | 28,307                     | 2,177                                    | 2,157                                  |
| Total Component Units                  | \$ 3,207,364  | \$ 1,820,021               | \$ 483,523                               | \$ 67,811                              |

### General revenues:

#### Taxes:

Sales and use  
Gasoline and other motor fuel  
Individual income  
Corporate income and franchise  
Insurance  
Other

#### Investment income

#### Other

Payment from State of Mississippi

Contributions to permanent endowments

Transfers

Total General Revenues, Contributions  
and Transfers

Change in Net Position

Net Position - Beginning

Net Position - Ending

The accompanying notes to the financial statements are an integral part of this statement.

**Net (Expense) Revenue and Changes in Net Position**

| <b>Primary Government</b>          |                                     |               |                            |
|------------------------------------|-------------------------------------|---------------|----------------------------|
| <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>  | <b>Component<br/>Units</b> |
| \$ (730,451)                       | \$                                  | \$ (730,451)  |                            |
| (3,272,592)                        |                                     | (3,272,592)   |                            |
| (1,339,024)                        |                                     | (1,339,024)   |                            |
| (527,061)                          |                                     | (527,061)     |                            |
| (245,855)                          |                                     | (245,855)     |                            |
| 5,298                              |                                     | 5,298         |                            |
| (37,306)                           |                                     | (37,306)      |                            |
| (243,099)                          |                                     | (243,099)     |                            |
| (6,390,090)                        |                                     | (6,390,090)   |                            |
|                                    | 11,697                              | 11,697        |                            |
|                                    | (10,085)                            | (10,085)      |                            |
|                                    | (96,764)                            | (96,764)      |                            |
|                                    | (8,783)                             | (8,783)       |                            |
|                                    | (103,935)                           | (103,935)     |                            |
| (6,390,090)                        | (103,935)                           | (6,494,025)   |                            |
|                                    |                                     |               | \$ (830,293)               |
|                                    |                                     |               | (5,716)                    |
|                                    |                                     |               | (836,009)                  |
| 3,263,643                          |                                     | 3,263,643     |                            |
| 408,667                            |                                     | 408,667       |                            |
| 1,703,736                          |                                     | 1,703,736     |                            |
| 677,168                            |                                     | 677,168       |                            |
| 267,971                            |                                     | 267,971       |                            |
| 541,496                            |                                     | 541,496       |                            |
| 82,307                             | 70,196                              | 152,503       | 152,831                    |
|                                    |                                     |               | 207,941                    |
|                                    |                                     |               | 785,908                    |
|                                    |                                     |               | 33,394                     |
| (48,583)                           | 48,583                              |               |                            |
| 6,896,405                          | 118,779                             | 7,015,184     | 1,180,074                  |
| 506,315                            | 14,844                              | 521,159       | 344,065                    |
| 13,522,132                         | 1,098,279                           | 14,620,411    | 4,512,463                  |
| \$ 14,028,447                      | \$ 1,113,123                        | \$ 15,141,570 | \$ 4,856,528               |



# Mississippi

## Governmental Funds

### Balance Sheet

June 30, 2014 (Expressed in Thousands)

|  | General      | Permanent | Totals       |
|--|--------------|-----------|--------------|
| <b>Assets</b>  |              |           |              |
| Equity in internal investment pool                     | \$ 3,189,296 | \$ 2,587  | \$ 3,191,883 |
| Cash and cash equivalents                              | 210,655      | 385       | 211,040      |
| Investments  | 133,645      | 58,727    | 192,372      |
| Receivables, net                                       | 754,178      | 349       | 754,527      |
| Due from other governments, net                        | 1,147,293    |           | 1,147,293    |
| Due from other funds                                   | 2,728        |           | 2,728        |
| Due from component units                               | 396          |           | 396          |
| Inventories  | 37,061       |           | 37,061       |
| Loans receivable, net                                  | 326,515      |           | 326,515      |
| Total Assets   | \$ 5,801,767 | \$ 62,048 | \$ 5,863,815 |
| <b>Liabilities, Deferred Inflows and Fund Balances</b> |              |           |              |
| <b>Liabilities:</b>                                    |              |           |              |
| Warrants payable                                       | \$ 59,501    | \$        | \$ 59,501    |
| Accounts payable and accruals                          | 507,678      | 275       | 507,953      |
| Contracts payable                                      | 90,352       |           | 90,352       |
| Income tax refunds payable                             | 214,000      |           | 214,000      |
| Due to other governments                               | 323,133      |           | 323,133      |
| Due to other funds                                     | 40,066       | 160       | 40,226       |
| Due to component units                                 | 30,108       |           | 30,108       |
| Claims payable   | 39,885       |           | 39,885       |
| Unearned revenues                                      | 82,588       |           | 82,588       |
| Total Liabilities                                      | 1,387,311    | 435       | 1,387,746    |
| Deferred inflows of resources:                         |              |           |              |
| Deferred revenues                                      | 191,695      |           | 191,695      |
| <b>Fund balances:</b>                                  |              |           |              |
| Nonspendable   |              |           |              |
| Inventories  | 37,061       |           | 37,061       |
| Principal  | 15,000       | 56,450    | 71,450       |
| Restricted   |              |           |              |
| General government                                     | 301,275      |           | 301,275      |
| Education  | 124,098      | 4,201     | 128,299      |
| Health and social services                             | 367,682      | 284       | 367,966      |
| Law, justice and public safety                         | 105,392      |           | 105,392      |
| Recreation and resources development                   | 1,354,636    | 678       | 1,355,314    |
| Regulation of business and professions                 | 59,680       |           | 59,680       |
| Transportation   | 480,462      |           | 480,462      |
| Capital projects                                       | 286,454      |           | 286,454      |
| Debt service   | 369,002      |           | 369,002      |
| Committed  |              |           |              |
| General government                                     | 103,481      |           | 103,481      |
| Education  | 6,689        |           | 6,689        |
| Law, justice and public safety                         | 18,696       |           | 18,696       |
| Recreation and resources development                   | 4,115        |           | 4,115        |
| Transportation   | 6,955        |           | 6,955        |
| Assigned   |              |           |              |
| General government                                     | 6,268        |           | 6,268        |
| Education  | 44           |           | 44           |
| Law, justice and public safety                         | 1,765        |           | 1,765        |
| Recreation and resources development                   | 2,426        |           | 2,426        |
| Unassigned   | 571,580      |           | 571,580      |
| Total Fund Balances                                    | 4,222,761    | 61,613    | 4,284,374    |
| Total Liabilities, Deferred Inflows and Fund Balances  | \$ 5,801,767 | \$ 62,048 | \$ 5,863,815 |

The accompanying notes to the financial statements are an integral part of this statement.

# Mississippi

## Governmental Funds

### Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2014 (Expressed in Thousands)

Total fund balances for governmental funds \$ 4,284,374

Amounts reported for governmental activities in the statement of net position  
are different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the funds (excluding amounts for internal  
service funds' capital assets that are reported in the internal service funds'  
net reconciling item below):

|                          |              |            |
|--------------------------|--------------|------------|
| Land                     | \$ 2,234,358 |            |
| Construction in progress | 4,103,171    |            |
| Software                 | 61,573       |            |
| Buildings                | 2,056,972    |            |
| Land improvements        | 242,703      |            |
| Machinery and equipment  | 690,755      |            |
| Infrastructure           | 9,980,031    |            |
| Accumulated depreciation | (4,457,530)  | 14,912,033 |

Deferred amount on refunding of debt reported as deferred outflows of resources  
in governmental activities is not financial resources and therefore are not  
reported in the funds. 122,101

Interest rate swaps reported as deferred outflows of resources in governmental  
activities are not financial resources and therefore are not reported in the funds. 20

Some of the State's revenues will be collected after year-end but are not  
available soon enough to pay for the current period's expenditures and  
therefore are deferred in the funds as deferred inflows of resources. 191,695

Long-term liabilities and related accrued interest are not due and payable  
in the current period and therefore are not reported in the funds:

|                                       |             |             |
|---------------------------------------|-------------|-------------|
| General obligation bonds and notes    | (4,135,272) |             |
| Capital lease obligations             | (21,834)    |             |
| Accrued compensated absences          | (117,945)   |             |
| Pollution remediation obligation      | (41,857)    |             |
| Notes payable                         | (1,006,639) |             |
| Unamortized premiums                  | (234,699)   |             |
| Claims payable                        | (2,868)     |             |
| Other postemployment benefits payable | (139,943)   |             |
| Accrued interest payable              | (57,383)    |             |
| Derivative instruments                | (39,039)    | (5,797,479) |

Internal service funds are used by management to charge the costs of  
certain activities, such as insurance and telecommunications, to individual  
funds. The assets and liabilities of the internal service funds are included  
in governmental activities in the statement of net position. 315,703

Net position of governmental activities \$ 14,028,447

The accompanying notes to the financial statements are an integral part of this statement.

# Mississippi

## Governmental Funds

### Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2014 (Expressed in Thousands)

|  | General      | Permanent | Totals       |
|--|--------------|-----------|--------------|
| <b>Revenues</b>                              |              |           |              |
| Taxes:                                       |              |           |              |
| Sales and use                                | \$ 3,264,343 | \$        | \$ 3,264,343 |
| Gasoline and other motor fuel                | 406,647      |           | 406,647      |
| Individual income                            | 1,676,064    |           | 1,676,064    |
| Corporate income and franchise               | 677,501      |           | 677,501      |
| Insurance                                    | 267,971      |           | 267,971      |
| Other  | 541,496      |           | 541,496      |
| Licenses, fees and permits                   | 522,588      | 236       | 522,824      |
| Federal government                           | 7,343,489    |           | 7,343,489    |
| Investment income                            | 67,807       | 1,327     | 69,134       |
| Charges for sales and services               | 363,976      |           | 363,976      |
| Rentals                                      | 32,662       |           | 32,662       |
| Court assessments and settlements            | 169,497      |           | 169,497      |
| Other  | 561,818      | 210       | 562,028      |
| Total Revenues                               | 15,895,859   | 1,773     | 15,897,632   |
| <b>Expenditures</b>                          |              |           |              |
| Current:                                     |              |           |              |
| General government                           | 1,493,951    |           | 1,493,951    |
| Education                                    | 3,994,215    | 117       | 3,994,332    |
| Health and social services                   | 7,404,608    |           | 7,404,608    |
| Law, justice and public safety               | 930,805      |           | 930,805      |
| Recreation and resources development         | 639,569      |           | 639,569      |
| Regulation of business and professions       | 39,444       |           | 39,444       |
| Transportation                               | 1,143,230    |           | 1,143,230    |
| Debt service:                                |              |           |              |
| Principal                                    | 319,798      |           | 319,798      |
| Interest and other fiscal charges            | 244,164      |           | 244,164      |
| Total Expenditures                           | 16,209,784   | 117       | 16,209,901   |
| Excess of Revenues over (under) Expenditures | (313,925)    | 1,656     | (312,269)    |
| <b>Other Financing Sources (Uses)</b>        |              |           |              |
| Bonds and notes issued                       | 348,777      |           | 348,777      |
| Capital leases issued                        | 16,107       |           | 16,107       |
| Insurance recovery                           | 17,826       |           | 17,826       |
| Premiums on bonds issued                     | 15,838       |           | 15,838       |
| Transfers in                                 | 4,508        |           | 4,508        |
| Transfers out                                | (52,125)     | (1,006)   | (53,131)     |
| Net Other Financing Sources (Uses)           | 350,931      | (1,006)   | 349,925      |
| Net Change in Fund Balances                  | 37,006       | 650       | 37,656       |
| Fund Balances - Beginning                    | 4,185,755    | 60,963    | 4,246,718    |
| Fund Balances - Ending                       | \$ 4,222,761 | \$ 61,613 | \$ 4,284,374 |

The accompanying notes to the financial statements are an integral part of this statement.

# Mississippi

## Governmental Funds

### Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities

For the Year Ended June 30, 2014 (Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 37,656

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

|                      |                  |         |
|----------------------|------------------|---------|
| Capital outlay       | \$ 881,689       |         |
| Depreciation expense | <u>(394,486)</u> | 487,203 |

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications, to individual funds. The net income of the internal service funds is reported with governmental activities. 21,732

In the statement of activities, only the gain on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the assets sold. (10,523)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities.

|  |              |          |
|--|--------------|----------|
| Premiums on notes and refunding bonds and notes issued | (15,838)     |          |
| Bonds and notes issued                                 | (348,777)    |          |
| Capital leases issued                                  | (16,107)     |          |
| Payments of debt principal                             | 319,798      |          |
| Accrued interest payable                               | <u>(899)</u> | (61,823) |

Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

|   |                 |        |
|---|-----------------|--------|
| Donations of equipment                          | 162             |        |
| Change in claims payable                        | 953             |        |
| Change in compensated absences                  | 7,256           |        |
| Change in deferred revenues                     | 28,744          |        |
| Change in other postemployment benefits payable | (14,750)        |        |
| Change in pollution remediation obligation      | (209)           |        |
| Change in fair value of investment derivative   | 7,947           |        |
| Change in fair value of borrowing derivative    | 13,391          |        |
| Amortization of premiums                        | 21,649          |        |
| Amortization of deferred amount on refunding    | <u>(33,073)</u> | 32,070 |

Change in net position of governmental activities \$ 506,315

The accompanying notes to the financial statements are an integral part of this statement.

# Mississippi

## Proprietary Funds

### Statement of Net Position

June 30, 2014 (Expressed in Thousands)

|                                    | Business-type Activities -              |                               |                                       |
|------------------------------------|---|-------------------------------|---------------------------------------|
|                                    | Department of<br>Employment<br>Security | Port Authority<br>at Gulfport | State<br>Treasurer                    |
|                                    | Unemployment<br>Compensation            |                               | Prepaid Affordable<br>College Tuition |
| <b>Assets</b>                      |   |                               |                                       |
| Current assets:                    |   |                               |                                       |
| Equity in internal investment pool | \$                                      | \$ 735                        | \$ 515                                |
| Cash and cash equivalents          | 558,368                                 | 16,507                        | 7,445                                 |
| Investments                        |   | 23,812                        |                                       |
| Receivables, net                   | 60,984                                  | 1,554                         | 3,154                                 |
| Restricted assets:                 |   |                               |                                       |
| Cash and cash equivalents          |   | 151                           |                                       |
| Due from other governments, net    | 554                                     | 19                            |                                       |
| Due from other funds               | 587                                     | 7,121                         |                                       |
| Due from component units           | 243                                     |                               |                                       |
| Inventories                        |   |                               |                                       |
| Prepaid items                      |   | 205                           |                                       |
| Loans and notes receivable         |   |                               |                                       |
| Total Current Assets               | 620,736                                 | 50,104                        | 11,114                                |
| Noncurrent assets:                 |   |                               |                                       |
| Investments                        |   | 57,142                        | 319,147                               |
| Loans and notes receivable         |   |                               |                                       |
| Restricted assets:                 |   |                               |                                       |
| Cash and cash equivalents          |   | 450                           |                                       |
| Capital assets:                    |   |                               |                                       |
| Land and construction in progress  |   | 161,479                       |                                       |
| Other capital assets, net          |   | 122,146                       |                                       |
| Total Noncurrent Assets            |   | 341,217                       | 319,147                               |
| Total Assets                       | \$ 620,736                              | \$ 391,321                    | \$ 330,261                            |

**Enterprise Funds**

|                           |               | <b>Governmental<br/>Activities -<br/>Internal<br/>Service<br/>Funds</b> |  |
|---------------------------|---------------|---|--|
| <b>Nonmajor<br/>Funds</b> | <b>Totals</b> |   |  |
| \$ 66,071                 | \$ 67,321     | \$ 303,190  |  |
| 16,956                    | 599,276       | 90,877  |  |
|                           | 23,812        | 4,636   |  |
| 4,862                     | 70,554        | 401   |  |
|                           | 151           |   |  |
|                           | 573           | 633   |  |
| 11,529                    | 19,237        | 23,936  |  |
| 9                         | 252           | 874   |  |
| 780                       | 780           |   |  |
| 331                       | 536           |   |  |
| 5,375                     | 5,375         |   |  |
| 105,913                   | 787,867       | 424,547   |  |
|                           | 376,289       | 32,286  |  |
| 150,571                   | 150,571       |   |  |
|                           | 450           |   |  |
| 5,024                     | 166,503       |   |  |
| 32,318                    | 154,464       | 33,185  |  |
| 187,913                   | 848,277       | 65,471  |  |
| \$ 293,826                | \$ 1,636,144  | \$ 490,018  |  |

*(Continued on Next Page)*

# Mississippi

## Proprietary Funds

### Statement of Net Position

June 30, 2014 (Expressed in Thousands)

(Continued from Previous Page)

|   | Business-type Activities -              |                               |                                       |
|---|---|-------------------------------|---------------------------------------|
|   | Department of<br>Employment<br>Security | Port Authority<br>at Gulfport | State<br>Treasurer                    |
|   | Unemployment<br>Compensation            |                               | Prepaid Affordable<br>College Tuition |
| <b>Liabilities</b>                          |   |                               |                                       |
| Current liabilities:                        |   |                               |                                       |
| Warrants payable                            | \$                                      | \$                            | \$ 249                                |
| Accounts payable and other liabilities      | 119                                     | 5,989                         | 2,922                                 |
| Contracts payable                           |   | 977                           |                                       |
| Due to other governments                    | 10,318                                  |                               |                                       |
| Due to other funds                          | 1,135                                   | 1                             |                                       |
| Due to component units                      |   |                               |                                       |
| Claims and benefits payable                 | 6,616                                   |                               |                                       |
| Deposits                                    |   |                               |                                       |
| Bonds payable                               |   | 2,833                         |                                       |
| Unearned revenues                           | 167                                     | 108                           |                                       |
| Lease obligations payable                   |   |                               |                                       |
| Total Current Liabilities                   | 18,355                                  | 9,908                         | 3,171                                 |
| Noncurrent liabilities:                     |   |                               |                                       |
| Due to other governments                    |   |                               |                                       |
| Claims and benefits payable                 |   |                               | 456,889                               |
| Bonds payable                               |   | 12,670                        |                                       |
| Lease obligations payable                   |   |                               |                                       |
| Liabilities payable from restricted assets: |   |                               |                                       |
| Deposits                                    |   | 151                           |                                       |
| Other liabilities                           |   | 219                           | 38                                    |
| Total Noncurrent Liabilities                |   | 13,040                        | 456,927                               |
| Total Liabilities                           | 18,355                                  | 22,948                        | 460,098                               |
| <b>Net Position</b>                         |   |                               |                                       |
| Net investment in capital assets            |   | 268,122                       |                                       |
| Restricted for:                             |   |                               |                                       |
| Expendable                                  |   |                               |                                       |
| Unemployment compensation benefits          | 602,381                                 |                               |                                       |
| Other purposes                              |   | 450                           |                                       |
| Unrestricted (deficit)                      |   | 99,801                        | (129,837)                             |
| Total Net Position                          | \$ 602,381                              | \$ 368,373                    | \$ (129,837)                          |

The accompanying notes to the financial statements are an integral part of this statement.

**Enterprise Funds**

|                           |         |               |           | <b>Governmental<br/>Activities -<br/>Internal<br/>Service<br/>Funds</b> |         |
|---------------------------|---------|---------------|-----------|---|---------|
| <b>Nonmajor<br/>Funds</b> |         | <b>Totals</b> |           |   |         |
| \$                        | 1,014   | \$            | 1,263     | \$  | 333     |
|                           | 3,961   |               | 12,991    |   | 5,668   |
|                           |         |               | 977       |   |         |
|                           | 175     |               | 10,493    |   | 353     |
|                           | 2,778   |               | 3,914     |   | 1,759   |
|                           |         |               |           |   | 57      |
|                           |         |               | 6,616     |   | 111,732 |
|                           | 1,565   |               | 1,565     |   |         |
|                           |         |               | 2,833     |   |         |
|                           | 140     |               | 415       |   | 14,927  |
|                           | 72      |               | 72        |   | 305     |
|                           | 9,705   |               | 41,139    |   | 135,134 |
|                           |         |               |           |   |         |
|                           | 11,232  |               | 11,232    |   |         |
|                           |         |               | 456,889   |   | 37,375  |
|                           |         |               | 12,670    |   |         |
|                           | 272     |               | 272       |   | 636     |
|                           |         |               | 151       |   |         |
|                           | 411     |               | 668       |   | 1,170   |
|                           | 11,915  |               | 481,882   |   | 39,181  |
|                           | 21,620  |               | 523,021   |   | 174,315 |
|                           |         |               |           |   |         |
|                           | 29,708  |               | 297,830   |   | 32,252  |
|                           |         |               |           |   |         |
|                           |         |               | 602,381   |   |         |
|                           |         |               | 450       |   |         |
|                           | 242,498 |               | 212,462   |   | 283,451 |
| \$                        | 272,206 | \$            | 1,113,123 | \$  | 315,703 |



# Mississippi

## Proprietary Funds

### Statement of Revenues, Expenses, and Changes in Fund Net Position

For the Year Ended June 30, 2014 (Expressed in Thousands)

|   | Business-type Activities -              |                               |                                       |
|---|---|-------------------------------|---------------------------------------|
|   | Department of<br>Employment<br>Security | Port Authority<br>at Gulfport | State<br>Treasurer                    |
|   | Unemployment<br>Compensation            |                               | Prepaid Affordable<br>College Tuition |
| <b>Operating Revenues</b>                                   |   |                               |                                       |
| Charges for sales and services/premiums                     | \$                                      | \$ 14,660                     | \$                                    |
| Assessments   | 158,741                                 |                               |                                       |
| Investment income   |   |                               |                                       |
| Federal agencies  | 57,162                                  |                               |                                       |
| Rentals   |   |                               |                                       |
| Fees  |   |                               | 793                                   |
| Tuition receipts  |   |                               | 5,562                                 |
| Other   |   |                               | 15                                    |
| Total Operating Revenues                                    | 215,903                                 | 14,660                        | 6,370                                 |
| <b>Operating Expenses</b>                                   |   |                               |                                       |
| Cost of sales and services                                  |   |                               |                                       |
| General and administrative                                  |   | 2,963                         | 478                                   |
| Contractual services  |   | 15,345                        | 946                                   |
| Commodities   |   | 291                           | 1                                     |
| Depreciation  |   | 6,397                         |                                       |
| Claims and benefits   | 204,206                                 |                               | 101,709                               |
| Other   |   |                               |                                       |
| Total Operating Expenses                                    | 204,206                                 | 24,996                        | 103,134                               |
| Operating Income (Loss)                                     | 11,697                                  | (10,336)                      | (96,764)                              |
| <b>Nonoperating Revenues</b>                                |   |                               |                                       |
| Revenue from counties                                       |   | 931                           |                                       |
| Insurance recovery  |   | 12                            |                                       |
| Gain on disposal of capital assets                          |   | 4                             |                                       |
| Investment income   | 12,424                                  | 389                           | 49,820                                |
| Total Nonoperating Revenues                                 | 12,424                                  | 1,336                         | 49,820                                |
| <b>Nonoperating Expenses</b>                                |   |                               |                                       |
| Loss on disposal of capital assets                          |   |                               |                                       |
| Interest and other fiscal charges                           |   | 696                           |                                       |
| Total Nonoperating Expenses                                 |   | 696                           |                                       |
| Income (Loss) before Capital Contributions<br>and Transfers | 24,121                                  | (9,696)                       | (46,944)                              |
| Capital Contributions                                       |   |                               |                                       |
| Transfers In  |   | 42,227                        |                                       |
| Transfers Out   |   |                               |                                       |
| Change in Net Position                                      | 24,121                                  | 32,531                        | (46,944)                              |
| Total Net Position - Beginning                              | 578,260                                 | 335,842                       | (82,893)                              |
| Total Net Position - Ending                                 | \$ 602,381                              | \$ 368,373                    | \$ (129,837)                          |

The accompanying notes to the financial statements are an integral part of this statement.

# Enterprise Funds

|                   |              | Governmental<br>Activities -<br>Internal<br>Service<br>Funds |  |
|-------------------|--------------|--|--|
| Nonmajor<br>Funds | Totals       |  |  |
| \$ 25,284         | \$ 39,944    | \$ 803,167   |  |
|                   | 158,741      |  |  |
| 6,564             | 6,564        |  |  |
|                   | 57,162       |  |  |
| 1,707             | 1,707        |  |  |
| 54                | 847          |  |  |
|                   | 5,562        |  |  |
| 1,468             | 1,483        | 5  |  |
| 35,077            | 272,010      | 803,172  |  |
| 15,292            | 15,292       |  |  |
| 12,509            | 15,950       | 16,201   |  |
| 6,758             | 23,049       | 65,346   |  |
| 1,629             | 1,921        | 847  |  |
| 1,491             | 7,888        | 4,193  |  |
|                   | 305,915      | 727,857  |  |
| 15                | 15           |  |  |
| 37,694            | 370,030      | 814,444  |  |
| (2,617)           | (98,020)     | (11,272)   |  |
|                   | 931          |  |  |
| 50                | 62           |  |  |
| 343               | 347          |  |  |
| 999               | 63,632       | 5,226  |  |
| 1,392             | 64,972       | 5,226  |  |
| 18                | 18           | 4  |  |
| 10                | 706          | 33   |  |
| 28                | 724          | 37   |  |
| (1,253)           | (33,772)     | (6,083)  |  |
| 33                | 33           | 27,775   |  |
| 9,698             | 51,925       | 200  |  |
| (3,342)           | (3,342)      | (160)  |  |
| 5,136             | 14,844       | 21,732   |  |
| 267,070           | 1,098,279    | 293,971  |  |
| \$ 272,206        | \$ 1,113,123 | \$ 315,703   |  |

# Mississippi

## Proprietary Funds

### Statement of Cash Flows

For the Year Ended June 30, 2014 (Expressed in Thousands)

|   | Business-type Activities -              |                                       |                    |
|---|---|---------------------------------------|--------------------|
|   | Department of<br>Employment<br>Security | Port Authority<br>at Gulfport         | State<br>Treasurer |
|   | Unemployment<br>Compensation            | Prepaid Affordable<br>College Tuition |                    |
| <b>Cash Flows from Operating Activities</b>                     |   |                                       |                    |
| Cash receipts from federal agencies                             | \$ 60,150                               | \$                                    |                    |
| Cash receipts/premiums from interfund services provided         |   |                                       |                    |
| Cash receipts/premiums from customers                           |   | 14,203                                | 6,370              |
| Cash receipts from assessments                                  | 174,266                                 |                                       |                    |
| Cash payments to suppliers for goods and services               |   | (15,610)                              | (1,020)            |
| Cash payments to employees for services                         |   | (2,935)                               | (454)              |
| Cash payments for claims and benefits                           | (210,498)                               |                                       | (22,874)           |
| Other operating cash receipts                                   |   |                                       |                    |
| Other operating cash payments                                   |   |                                       |                    |
| Principal and interest received on program loans                |   |                                       |                    |
| Issuance of program loans                                       |   |                                       |                    |
| Net Cash Provided by (Used for) Operating Activities            | 23,918                                  | (4,342)                               | (17,978)           |
| <b>Cash Flows from Noncapital Financing Activities</b>          |   |                                       |                    |
| Transfers in  |   | 55,492                                |                    |
| Transfers out   |   |                                       |                    |
| Revenues from counties  |   | 931                                   |                    |
| Proceeds from other governments                                 |   |                                       |                    |
| Net Cash Provided by  |   |                                       |                    |
| Noncapital Financing Activities                                 |   | 56,423                                |                    |
| <b>Cash Flows from Capital and Related Financing Activities</b> |   |                                       |                    |
| Acquisition and construction of capital assets                  |   | (42,339)                              |                    |
| Capital grants received   |   | 25                                    |                    |
| Proceeds from sales of capital assets                           |   | 10                                    |                    |
| Principal paid on bonds and capital assets contracts            |   | (2,706)                               |                    |
| Interest paid on bonds and capital assets contracts             |   | (727)                                 |                    |
| Proceeds from insurance recovery                                |   | 12                                    |                    |
| Other   |   |                                       |                    |
| Net Cash Provided by (Used for) Capital and Related             |   |                                       |                    |
| Financing Activities  |   | (45,725)                              |                    |
| <b>Cash Flows From Investing Activities</b>                     |   |                                       |                    |
| Proceeds from sales of investments                              |   | 57,380                                | 159,172            |
| Purchases of investments  |   | (55,954)                              | (157,401)          |
| Investment income   | 12,424                                  | 365                                   | 5,321              |
| Net Cash Provided by Investing Activities                       | 12,424                                  | 1,791                                 | 7,092              |
| Net Change in Cash and Cash Equivalents                         | 36,342                                  | 8,147                                 | (10,886)           |
| Cash and Cash Equivalents - Beginning                           | 522,026                                 | 9,696                                 | 18,846             |
| Cash and Cash Equivalents - Ending                              | \$ 558,368                              | \$ 17,843                             | \$ 7,960           |

**Enterprise Funds**

|                           |               | <b>Governmental<br/>Activities -<br/>Internal<br/>Service<br/>Funds</b> |           |
|---------------------------|---------------|---|-----------|
| <b>Nonmajor<br/>Funds</b> | <b>Totals</b> |   |           |
| \$                        | \$            | 60,150  | \$        |
|                           |               |   | 231,494   |
| 27,377                    | 47,950        |   | 578,667   |
|                           | 174,266       |   |           |
| (22,462)                  | (39,092)      |   | (68,911)  |
| (12,405)                  | (15,794)      |   | (16,069)  |
|                           | (233,372)     |   | (719,813) |
| 1,094                     | 1,094         |   |           |
| (2)                       | (2)           |   |           |
| 23,306                    | 23,306        |   |           |
| (22,642)                  | (22,642)      |   |           |
| (5,734)                   | (4,136)       |   | 5,368     |
|                           |               |   |           |
| 9,676                     | 65,168        |   | 200       |
| (3,290)                   | (3,290)       |   | (160)     |
|                           | 931           |   |           |
| 677                       | 677           |   |           |
|                           |               |   |           |
| 7,063                     | 63,486        |   | 40        |
|                           |               |   |           |
| (642)                     | (42,981)      |   | (2,969)   |
|                           | 25            |   |           |
| 452                       | 462           |   | 2         |
| (166)                     | (2,872)       |   | (296)     |
| (10)                      | (737)         |   | (33)      |
| 50                        | 62            |   |           |
|                           |               |   |           |
| (316)                     | (46,041)      |   | (3,296)   |
|                           |               |   |           |
|                           | 216,552       |   | 10,958    |
|                           | (213,355)     |   | (11,227)  |
| 986                       | 19,096        |   | 5,174     |
| 986                       | 22,293        |   | 4,905     |
| 1,999                     | 35,602        |   | 7,017     |
| 81,028                    | 631,596       |   | 387,050   |
| \$ 83,027                 | \$ 667,198    | \$  | 394,067   |

(Continued on Next Page)

# Mississippi

## Proprietary Funds

### Statement of Cash Flows

For the Year Ended June 30, 2014 (Expressed in Thousands)

(Continued from Previous Page)

|  | Business-type Activities -              |                                       |                    |
|--|---|---------------------------------------|--------------------|
|  | Department of<br>Employment<br>Security | Port Authority<br>at Gulfport         | State<br>Treasurer |
|  | Unemployment<br>Compensation            | Prepaid Affordable<br>College Tuition |                    |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided by (Used for) Operating Activities</b> |   |                                       |                    |
| Operating income (loss)  | \$ 11,697                               | \$ (10,336)                           | \$ (96,764)        |
| Adjustments to reconcile operating income (loss) to net<br>cash provided by (used for) operating activities: |   |                                       |                    |
| Depreciation   |   | 6,397                                 |                    |
| Change in assets and liabilities:  |   |                                       |                    |
| (Increase) decrease in assets:   |   |                                       |                    |
| Receivables, net   | 11,721                                  | (708)                                 |                    |
| Due from other governments   | 6,631                                   | 1                                     |                    |
| Due from other funds   | 99                                      |                                       |                    |
| Due from component units   | 113                                     |                                       |                    |
| Inventories  |   |                                       |                    |
| Prepaid items  |   | (33)                                  |                    |
| Loans and notes receivable   |   |                                       |                    |
| Increase (decrease) in liabilities:  |   |                                       |                    |
| Warrants payable   |   |                                       | (225)              |
| Accounts payable and other liabilities   | (212)                                   | 238                                   | 161                |
| Due to other governments   | (630)                                   |                                       |                    |
| Due to other funds   | (1,253)                                 | (1)                                   | (1)                |
| Due to component units   |   |                                       |                    |
| Claims and benefits payable  | (4,197)                                 |                                       | 78,851             |
| Unearned revenues  | (51)                                    | 100                                   |                    |
| Total adjustments  | 12,221                                  | 5,994                                 | 78,786             |
| Net Cash Provided by (Used for) Operating Activities   | \$ 23,918                               | \$ (4,342)                            | \$ (17,978)        |

### Noncash Capital and Related Financing and Investing Activities

|   |  |   |        |
|---|--|---|--------|
| Capital contributions                     |  |   |        |
| Gain (loss) on disposal of capital assets |  | 4 |        |
| Change in market value of investments     |  | 4 | 14,372 |

The accompanying notes to the financial statements are an integral part of this statement.

**Enterprise Funds**

| Nonmajor Funds |         | Totals |          | Governmental Activities - Internal Service Funds |          |
|----------------|---------|--------|----------|--|----------|
| \$             | (2,617) | \$     | (98,020) | \$   | (11,272) |
|                | 1,491   |        | 7,888    |  | 4,193    |
|                | 53      |        | 11,066   |  | 29       |
|                | 38      |        | 6,670    |  | (172)    |
|                | (247)   |        | (148)    |  | 4,540    |
|                | (9)     |        | 104      |  | 22       |
|                | (171)   |        | (171)    |  |          |
|                | 99      |        | 66       |  |          |
|                | (6,304) |        | (6,304)  |  |          |
|                | 509     |        | 284      |  | (1,042)  |
|                | 223     |        | 410      |  | (133)    |
|                | 1       |        | (629)    |  | 176      |
|                | 1,193   |        | (62)     |  | (1,360)  |
|                | (1)     |        | (1)      |  | 28       |
|                |         |        | 74,654   |  | 7,791    |
|                | 8       |        | 57       |  | 2,568    |
|                | (3,117) |        | 93,884   |  | 16,640   |
| \$             | (5,734) | \$     | (4,136)  | \$   | 5,368    |

# Mississippi

## Fiduciary Funds

### Statement of Fiduciary Net Position

June 30, 2014 (Expressed in Thousands)

|  | Pension<br>Trust<br>Funds | Private-purpose<br>Trust<br>Fund | Agency<br>Funds |
|--|---------------------------|----------------------------------|-----------------|
| <b>Assets</b>  |                           |                                  |                 |
| Equity in internal investment pool                           | \$ 2,030                  | \$ 7                             | \$ 9,490        |
| Cash and cash equivalents                                    | 757,325                   |                                  | 61,562          |
| Investments, at fair value:                                  |                           |                                  |                 |
| Short-term investments                                       | 129,576                   | 1,785                            |                 |
| Long-term debt securities                                    | 4,981,687                 | 54,288                           |                 |
| Equity securities  | 17,182,687                | 86,091                           |                 |
| Private equity   | 973,401                   |                                  |                 |
| Real estate investments                                      | 2,272,605                 | 8,518                            |                 |
| Asset allocation fund  | 92,154                    |                                  |                 |
| Fixed rate and variable                                      | 558,010                   |                                  |                 |
| Life insurance contracts                                     | 339                       | 29,630                           |                 |
| Securities lending:  |                           |                                  |                 |
| Short-term investments                                       | 912,346                   |                                  |                 |
| Long-term debt securities                                    | 2,809,750                 |                                  |                 |
| Receivables, net:  |                           |                                  |                 |
| Employer contributions                                       | 66,523                    |                                  |                 |
| Employee contributions                                       | 39,208                    |                                  |                 |
| Investment proceeds  | 393,570                   |                                  |                 |
| Interest and dividends                                       | 80,788                    | 72                               |                 |
| Other  | 1,284                     | 306                              | 527             |
| Due from other funds   | 12                        |                                  |                 |
| Commodity inventory  |                           |                                  | 1,229           |
| Capital assets:  |                           |                                  |                 |
| Land and construction in progress                            | 16,613                    |                                  |                 |
| Other capital assets, net                                    | 13,708                    |                                  |                 |
| Total Assets   | 31,283,616                | 180,697                          | \$ 72,808       |
| <b>Liabilities</b>   |                           |                                  |                 |
| Warrants payable   | 138                       | 1                                | \$ 334          |
| Accounts payable and accruals                                | 569,725                   | 484                              | 1,573           |
| Due to other governments                                     |                           |                                  | 1,138           |
| Due to other funds   | 14                        |                                  |                 |
| Amounts held in custody for others                           |                           |                                  | 69,763          |
| Obligations under securities lending                         | 3,721,141                 |                                  |                 |
| Total Liabilities  | 4,291,018                 | 485                              | \$ 72,808       |
| <b>Net Position</b>  |                           |                                  |                 |
| Net position restricted for pensions and trust beneficiaries | \$ 26,992,598             | \$ 180,212                       |                 |

The accompanying notes to the financial statements are an integral part of this statement.

# Mississippi

## Fiduciary Funds

### Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2014 (Expressed in Thousands)

|  | Pension<br>Trust<br>Funds | Private-purpose<br>Trust<br>Fund |
|--|---------------------------|----------------------------------|
| <b>Additions</b>   |                           |                                  |
| Contributions:   |                           |                                  |
| Employer   | \$ 1,005,219              | \$                               |
| Plan participant   | 625,867                   | 22,054                           |
| Total Contributions  | 1,631,086                 | 22,054                           |
| Net Investment Income:                                     |                           |                                  |
| Net change in fair value of investments                    | 3,654,142                 | 17,332                           |
| Interest and dividends                                     | 589,945                   | 2,923                            |
| Securities lending:  |                           |                                  |
| Income from securities lending                             | 19,133                    |                                  |
| Interest expense and trading costs from securities lending | (2,680)                   |                                  |
| Managers' fees and trading costs                           | (83,449)                  |                                  |
| Net Investment Income                                      | 4,177,091                 | 20,255                           |
| Other Additions:   |                           |                                  |
| Administrative fees  | 617                       | 150                              |
| Other  | 268                       |                                  |
| Total Other Additions                                      | 885                       | 150                              |
| Total Additions  | 5,809,062                 | 42,459                           |
| <b>Deductions</b>  |                           |                                  |
| Benefits   | 2,263,161                 | 19,022                           |
| Refunds to terminated employees                            | 121,599                   |                                  |
| Administrative expenses                                    | 14,071                    | 850                              |
| Depreciation   | 778                       |                                  |
| Total Deductions   | 2,399,609                 | 19,872                           |
| Change in Net Position                                     | 3,409,453                 | 22,587                           |
| Net Position - Beginning                                   | 23,583,145                | 157,625                          |
| Net Position - Ending                                      | \$ 26,992,598             | \$ 180,212                       |

The accompanying notes to the financial statements are an integral part of this statement.



# Mississippi

## Component Units

### Statement of Net Position

June 30, 2014 (Expressed in Thousands)

|  | Universities | Nonmajor   | Totals       |
|--|--------------|------------|--------------|
| <b>Assets</b>                          |              |            |              |
| Current assets:                        |              |            |              |
| Equity in internal investment pool     | \$ 11,100    | \$ 2,012   | \$ 13,112    |
| Cash and cash equivalents              | 409,691      | 21,400     | 431,091      |
| Investments                            | 211,447      | 28,949     | 240,396      |
| Receivables, net                       | 282,657      | 3,766      | 286,423      |
| Due from other governments             |              | 147        | 147          |
| Due from primary government            | 30,051       | 114        | 30,165       |
| Inventories                            | 28,801       | 1,136      | 29,937       |
| Prepaid items                          | 24,114       | 279        | 24,393       |
| Notes receivable, net                  | 38,748       | 650        | 39,398       |
| Other assets                           | 3,346        | 15         | 3,361        |
| Total Current Assets                   | 1,039,955    | 58,468     | 1,098,423    |
| Noncurrent assets:                     |              |            |              |
| Investments                            | 577,507      |            | 577,507      |
| Notes receivable, net                  | 142,007      |            | 142,007      |
| Restricted assets:                     |              |            |              |
| Cash and cash equivalents              | 195,339      | 2,804      | 198,143      |
| Investments                            | 930,643      | 7,000      | 937,643      |
| Capital assets:                        |              |            |              |
| Land and construction in progress      | 582,595      | 20,126     | 602,721      |
| Other capital assets, net              | 2,793,691    | 153,989    | 2,947,680    |
| Other assets                           | 19,333       |            | 19,333       |
| Total Noncurrent Assets                | 5,241,115    | 183,919    | 5,425,034    |
| Total Assets                           | 6,281,070    | 242,387    | 6,523,457    |
| <b>Deferred Outflows of Resources</b>  |              |            |              |
| Deferred amount on refunding           | 7,376        |            | 7,376        |
| <b>Liabilities</b>                     |              |            |              |
| Current liabilities:                   |              |            |              |
| Accounts payable and other liabilities | 197,240      | 3,955      | 201,195      |
| Due to primary government              | 855          | 667        | 1,522        |
| Deposits                               |              | 594        | 594          |
| Unearned revenues                      | 96,239       | 521        | 96,760       |
| Bonds and notes payable                | 30,605       | 650        | 31,255       |
| Lease obligations payable              | 1,490        | 43         | 1,533        |
| Other liabilities                      | 63,719       |            | 63,719       |
| Total Current Liabilities              | 390,148      | 6,430      | 396,578      |
| Noncurrent liabilities:                |              |            |              |
| Bonds and notes payable                | 989,039      |            | 989,039      |
| Lease obligations payable              | 31,152       | 185        | 31,337       |
| Other liabilities                      | 256,603      | 748        | 257,351      |
| Total Noncurrent Liabilities           | 1,276,794    | 933        | 1,277,727    |
| Total Liabilities                      | 1,666,942    | 7,363      | 1,674,305    |
| <b>Net Position</b>                    |              |            |              |
| Net investment in capital assets       | 2,420,103    | 173,269    | 2,593,372    |
| Restricted for:                        |              |            |              |
| Debt service                           |              | 2,884      | 2,884        |
| Other purposes                         | 597,678      | 4,384      | 602,062      |
| Permanent endowments:                  |              |            |              |
| Nonexpendable                          | 708,600      | 7,000      | 715,600      |
| Unrestricted                           | 895,123      | 47,487     | 942,610      |
| Total Net Position                     | \$ 4,621,504 | \$ 235,024 | \$ 4,856,528 |

The accompanying notes to the financial statements are an integral part of this statement.

# Mississippi

## Component Units

### Statement of Activities

For the Year Ended June 30, 2014 (Expressed in Thousands)

| Functions/<br>Programs                   | Expenses     | Program Revenues           |  |  | Net (Expense) Revenue<br>and Changes in Net Position |            |              |
|--|--------------|----------------------------|--|--|--|------------|--------------|
|  |              | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Universities   | Nonmajor   | Total        |
| Universities                             | \$ 3,169,007 | \$ 1,791,714               | \$ 481,346                               | \$ 65,654                              | \$ (830,293)   | \$         | \$ (830,293) |
| Nonmajor                                 | 38,357       | 28,307                     | 2,177                                    | 2,157                                  |  | (5,716)    | (5,716)      |
| Total                                    | \$ 3,207,364 | \$ 1,820,021               | \$ 483,523                               | \$ 67,811                              | (830,293)  | (5,716)    | (836,009)    |
| General revenues:                        |              |                            |  |  |  |            |              |
| Investment income                        |              |                            |  |  | 152,101  | 730        | 152,831      |
| Other                                    |              |                            |  |  | 205,502  | 2,439      | 207,941      |
| Payment from State of Mississippi        |              |                            |  |  | 785,908  |            | 785,908      |
| Contributions to permanent endowments    |              |                            |  |  | 33,394   |            | 33,394       |
| Total General Revenues and Contributions |              |                            |  |  | 1,176,905  | 3,169      | 1,180,074    |
| Change in Net Position                   |              |                            |  |  | 346,612  | (2,547)    | 344,065      |
| Net Position - Beginning                 |              |                            |  |  | 4,274,892  | 237,571    | 4,512,463    |
| Net Position - Ending                    |              |                            |  |  | \$ 4,621,504   | \$ 235,024 | \$ 4,856,528 |

The accompanying notes to the financial statements are an integral part of this statement.

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## Notes to the Financial Statements

June 30, 2014

### Note 1 - Significant Accounting Policies

The significant accounting policies applicable to the State of Mississippi are described below.

- A. Basis of Presentation** - The accompanying financial statements of the State have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles.
- B. Financial Reporting Entity** - For GAAP financial reporting purposes, the State's reporting entity includes all funds of the State's various commissions, departments, boards, elected officials, universities, and other organizational units (hereinafter referred to collectively as "agencies"). Management has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

GASB has set forth criteria to be considered in determining financial accountability. These criteria include the following considerations: 1) appointment of a voting majority of an organization's governing authority and the ability of the primary government to either impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, or 2) an organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board.

As required by GAAP, these financial statements present the primary government and its component units. Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with that of the primary government. The blended component unit is:

Public Employees' Retirement System of Mississippi - The System was created having all the powers and privileges of a public corporation for the purpose of providing pension benefits for public employees of the State and its political subdivisions. The Board of Trustees is composed of the State Treasurer, one member appointed by the Governor and eight members elected by its members. The administrative expenses are subject to legislative budget controls. Its five pension trust funds and one agency fund are reported as part of the State using the blended component method. The funds were audited by independent auditors for the period ended June 30, 2014, and their report has been issued under separate cover. The Comprehensive Annual Financial Report may be obtained by writing to Public Employees' Retirement System, Accounting Department, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Discretely presented component units, which are legally separate from the State, are reported in a separate column of the government-wide financial statements. The State reports the following major discretely presented component unit:

Universities - The Board of Trustees of State Institutions of Higher Learning (IHL), appointed by the primary government, consists of Alcorn State University, Delta State University, Jackson State University, Mississippi State University, Mississippi University for Women, Mississippi Valley State University, the University of Southern Mississippi, and the University of Mississippi. IHL is a body corporate and politic. The State provides financial support to IHL through state appropriations, tuition, federal grants, and private donations and grants. Also included in the Universities are the financial data of their significant fund-raising foundations. Because the restricted resources held by the foundations can only be used by, or for the benefit of, the specific universities, the foundations are considered component units of the Universities.

The State reports the following nonmajor discretely presented component units:

Mississippi Business Finance Corporation - This is a legally separate entity created and established as a body corporate and politic. The State appoints the voting majority of the board and a financial benefit/burden relationship exists. The Corporation and the State work together, providing support, one to the other, in the State's economic development.

Mississippi Coast Coliseum Commission - This is a legally separate entity created and established as a body corporate and politic. This is a political subdivision of the State. Expenditures are subject to legislative approval. The Commission is fiscally dependent on the primary government and a financial benefit/burden relationship exists. The Commission establishes, promotes, develops, locates, constructs, maintains and operates a multi-purpose coliseum and related facilities within Harrison County, Mississippi.

# Mississippi

Mississippi Development Bank – This is a legally separate entity created and established as a body corporate and politic. The State appoints the voting majority of the board and a financial benefit/burden relationship exists. The Bank and the State work together, providing support, one to the other, in the State's economic development.

Mississippi Prison Industries Corporation – This is a legally separate entity created and established as a body corporate and politic. The State appoints the voting majority of the board and may impose its will on the corporation. A financial benefit/burden relationship exists. The Corporation leases and manages the prison industry programs of the Mississippi Correctional Industries.

Pat Harrison Waterway District – This is a legally separate entity created and established as a body corporate and politic. The State does not appoint the voting majority of the board. The district is fiscally dependent and a financial benefit/burden relationship exists. Expenditures are subject to legislative budget approval. The District provides flood relief along the Pascagoula River and its tributaries and preserves and protects these waters for future generations and for economic enhancement of the area and its industrial growth.

Pearl River Basin Development District – This is a legally separate entity created and established as a body corporate and politic. The State does not appoint the voting majority of the board but the district is fiscally dependent and a financial benefit/burden relationship exists. Expenditures are subject to legislative budget approval. The District handles the preservation, conservation, storage and regulation of the waters of the Pearl River and its tributaries and their overflow waters for domestic, commercial, municipal, industrial, agricultural and manufacturing purposes, for recreational uses, flood control, timber development, irrigation, navigation, and pollution abatement.

Pearl River Valley Water Supply District – This is a legally separate entity created and established as a body corporate and politic. The State appoints the voting majority of the board and may impose its will. A financial benefit/burden relationship exists. Expenditures are subject to legislative budget approval. The District operates and maintains the Ross Barnett Reservoir and surrounding district lands to provide water supply, flood reduction and recreational opportunities.

Tombigbee River Valley Water Management District – This is a legally separate entity created and established as a body corporate and politic. The State appoints the voting majority of the board and may impose its will. A financial benefit/burden relationship exists. Expenditures are subject to legislative budget approval. The District provides for a plan of conservation, recreation, water control and utilization, agricultural development and economic advancement within the district.

The discretely presented component units are audited by independent auditors, and their financial statements are issued under separate covers. The audited financial statements are available from each discretely presented component unit.

State officials are also responsible for appointing the members of the boards of other related organizations, but the primary government's financial accountability for these related organizations does not extend beyond making the appointments. These related organizations are Mississippi Hospital Equipment and Facilities Authority, Mississippi Home Corporation and Mississippi Industries for the Blind.

## C. Government-wide and Fund Financial Statements

**Government-wide Financial Statements** - The Statement of Net Position and the Statement of Activities report information on all nonfiduciary activities of the primary government and its component units. The primary government is further subdivided between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position presents all of the State's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. GAAP requires that net position be subdivided into three categories:

Net investment in capital assets - capital assets net of accumulated depreciation and related deferred outflows of resources reduced by outstanding balances for bonds, notes and other debt net of unspent debt proceeds and related deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - assets and deferred outflows of resources less any related liabilities and deferred inflows of resources that are restricted externally by creditors, grantors, contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - assets that are not classified as net investment in capital assets or restricted net position.

The Statement of Activities demonstrates the degree to which direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, thus, are

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clearly identifiable to a particular function. Certain indirect costs have been included as part of the program expenses reported for the various functions and activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. General revenues include taxes and any sources of revenue that are not reported as program revenues.

**Fund Financial Statements** - Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds, and component units. Major individual enterprise funds are reported as separate columns in the fund financial statements.

## **D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements and the financial statements of the proprietary funds and fiduciary funds (excluding agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds have no measurement focus, but use the accrual basis of accounting.

The revenues and expenses of proprietary funds are classified as operating or nonoperating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary operations. All other revenues and expenses are reported as nonoperating.

Governmental fund financial statements are reported using a current financial resources measurement focus and the modified accrual basis of accounting. Current assets, deferred outflows of resources, current liabilities and deferred inflows of resources are included on the balance sheet. Revenues are recognized when measurable and available to finance operations of the current fiscal year. Available means collectible within the current year or soon enough after fiscal year end to liquidate liabilities existing at the end of the fiscal year. The State considers revenues received within 60 days after fiscal year end as available. Significant revenue sources that are susceptible to accrual include sales taxes, individual income taxes, corporate income taxes and federal grants. Licenses, fees, permits and other miscellaneous revenues are recognized when received since they normally are measurable only at that time. Expenditures are recognized upon receipt of goods and services.

The State reports the following major governmental fund:

The General Fund accounts for all activities of the State not specifically required to be accounted for in other Funds. Transactions are related to general government, education, health and social services, law, justice and public safety, recreation and resource development, regulation of business and professions, transportation, capital projects, and debt service.

The State reports the following major enterprise funds:

The Unemployment Compensation Fund accounts for the collection of unemployment insurance assessments from employers and the payment of unemployment benefits to eligible claimants. Funds are also provided by the federal government and investment income.

The Port Authority at Gulfport Fund accounts for operations of a public port providing facilities for foreign and domestic trade. Funding is provided by gross receipts from port operations, proceeds from bond issues and investment income. Expenses include port operation, construction and the payment of maturing bond interest and principal.

The Prepaid Affordable College Tuition Fund accounts for operations of a prepaid college tuition program. Funding is provided by the purchasers' specified actuarially determined payments and investment income.

Additionally, the State reports the following funds:

Governmental funds:

Permanent Funds account for transactions related to resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry.

# Mississippi

## Proprietary Funds:

Enterprise Funds account for operations where the intent of the State is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or where periodic measurement of the results of operations is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Internal Service Funds account for the operations of state agencies that render services and provide goods to other state agencies or governmental units on a cost-reimbursement basis. These activities include personnel services, information technology and risk management. In the government-wide financial statements, Internal Service Funds are included with governmental activities.

## Fiduciary Funds:

Pension Trust Funds account for transactions, assets, liabilities and net position available for plan benefits of the State's Public Employee Retirement Systems and the State's Deferred Compensation Plan.

Private-purpose Trust Fund accounts for operations of a college savings program under Section 529 of the Internal Revenue Code. Funding is provided by participants' contributions and investment earnings.

Agency Funds account for funds distributed to the various counties and municipalities of the State; for receipt of various taxes, refundable deposits, inventories, and other monies collected or recovered to be held until the State has the right or obligation to distribute them to state funds or to various entities or individuals; and for deposits to various institutional accounts and other receipts held by the State until there is proper authorization to disburse them directly to others.

- E. Equity in Internal Investment Pool and Cash and Cash Equivalents** - Equity in internal investment pool is cash equity with the Treasurer and consists of pooled demand deposits and investments recorded at fair value. Cash and cash equivalents include bank accounts, petty cash, money market demand accounts, money market mutual funds and certificates of deposit with a maturity date within 90 days of the date acquired by the State.

In accordance with IHL policy, all highly liquid investments with an original maturity date of three months or less are included as cash and cash equivalents for the Universities, a major component unit.

- F. Investments** - Investments, including any land or other real estate held as investments by endowments, are recorded at fair value with all investment income, including changes in the fair value of investments, reported as revenue in the financial statements. Income from short-term interest bearing securities is recognized as earned. Changes in the fair value of investment derivative instruments, including derivative instruments that are determined to be ineffective as hedges, are reported as investment income in the government-wide Statement of Activities.

Investments of the pension trust funds are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Corporate bonds are valued based on yields currently available on comparable securities from issuers of similar credit ratings. Mortgage securities are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Short-term investments are reported at fair value when published prices are available, or at cost plus accrued interest, which approximates fair value. The fair value of commingled real estate investment funds is based on independent appraisals, while Real Estate Investment Trusts (REIT) traded on a national or international exchange are valued at the last reported sales price at current exchange rates. For individual investments where no readily ascertainable fair value exists, the Public Employees' Retirement System, in consultation with its investment advisors and custodial bank, has determined the fair values.

- G. Receivables** - Receivables represent amounts due to the State for revenues earned that will be collected sometime in the future. Amounts expected to be collected in the next fiscal year are classified as "current" and amounts expected to be collected beyond the next fiscal year are classified as "noncurrent." Receivables are reported net of allowances for uncollectible accounts where applicable.
- H. Interfund Activity** - In general, eliminations have been made to minimize the double-counting of internal activity, including internal service fund type activity on the government-wide financial statements. Excess revenues or expenses from the internal service funds have been allocated to the appropriate function originally charged for the internal sale as part of this process. However, interfund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

# Mississippi

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of expenditures/expenses made by one fund for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

- I. Interfund Balances** - Interfund receivables and payables have been eliminated from the government-wide Statement of Net Position, except for the residual amounts due between governmental and business-type activities. Fiduciary funds' receivables and payables have been reclassified to accounts receivable and accounts payable, respectively, on the government-wide Statement of Net Position.
- J. Inventories and Prepaid Items** - Inventories of supplies and materials are stated at cost, generally using the first-in, first-out method. Cost of inventories held for use by the Department of Transportation is determined by the weighted average method. Inventories of supplies and materials of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

- K. Restricted Assets** - Proprietary fund and component unit assets required to be held and/or used as specified in bond indentures, bond resolutions, trustee agreements, board resolutions and donor specifications have been reported as restricted assets.
- L. Capital Assets** - Capital assets are reported, net of depreciation, in the applicable governmental or business-type activities columns in the government-wide financial statements. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at their fair market value on the date of donation. Classes of capital assets and their related capitalization thresholds are: land - cost or fair market value on the date of donation, software - \$1,000,000, buildings - \$50,000, land improvements - \$25,000, machinery and equipment - \$5,000, infrastructure - \$100,000, and construction in progress - based on the project's class. Infrastructure acquired prior to July 1, 1980 is not reported in the basic financial statements. The costs of normal maintenance and repairs that do not add to the value of capital assets or materially extend their respective lives are not capitalized. Interest expenditures are not capitalized on capital assets.

Capital assets, excluding land and construction in progress, are depreciated using the straight-line method over the estimated service lives of the respective assets. Estimated service lives include 5 to 15 years for software, 40 years for buildings, 20 years for land improvements, 5 to 15 years for machinery and equipment, 3 years for computer equipment, 5 to 15 years for heavy and outdoor equipment, and 3 to 10 years for vehicles. The estimated service life varies from 12 to 50 years for infrastructure, based on the individual asset.

The State owns various collections, works of art and historical treasures that have not been capitalized because they are held for public exhibition, education or research, and are protected and preserved. The proceeds from sales of such items are used to acquire other items for the collections. These collections include paintings, photographs, various objects of art, historical and scientific artifacts, antique furniture, clothing, books, and relics.

- M. Claims and Benefits Payable** - In the government-wide and proprietary fund financial statements, a liability for an insurance claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable.

In the Prepaid Affordable College Tuition Fund (a major proprietary fund), claims and benefits payable represents the actuarially determined present value of future tuition obligations. In the Unemployment Compensation Fund (a major proprietary fund), claims and benefits payable represents amounts incurred prior to the reporting date.

- N. Accumulated Unpaid Personal Leave and Major Medical Leave** - State law authorizes payment for a maximum of 30 days accrued personal leave in a lump sum upon termination of employment. No payment is authorized for accrued major medical leave unless employees present medical evidence that their physical condition is such that they can no longer work in a capacity of state government.

The State's obligation for accumulated unpaid personal leave, up to the maximum of 30 days per employee, is reported as "Other Liabilities" in the government-wide financial statements, as well as proprietary and fiduciary fund financial statements. In the governmental funds, only the amounts that normally would be liquidated with expendable available financial resources are accrued as current year expenditures. The State uses the last-in, first-out method of recognizing use of compensated absences. The reported liability applicable to all funds includes the related fringe benefits that the State as employer is required to pay when the accrued compensated absences are liquidated.

Accumulated unpaid major medical leave is not accrued, except in the Universities, because it is not probable that the compensation will be paid in a lump sum other than in the event of severe illness. However, state law authorizes the Universities to make payment for a maximum of 30 days in a lump sum upon termination of employment for nine-month faculty members eligible to receive retirement benefits.



# Mississippi

- O. Unearned Revenues and Deferred Inflows of Resources** - Unearned revenues are recognized when assets are received prior to being earned in an exchange transaction. Deferred revenues are reported in the governmental fund financial statements as deferred inflows of resources until such time as the revenues become available.
- P. Net Position/Fund Balance** - Net Position is the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources on government-wide, proprietary and fiduciary funds financial statements and Fund Balance on governmental funds financial statements. Fund Balances of governmental funds are classified as:

Nonspendable - amounts that cannot be spent because they are not in a spendable form (not expected to be converted to cash) or are legally required to be maintained intact. Examples include inventories and permanent fund principal.

Restricted - amounts where legally enforceable constraints are imposed by an external party such as a grantor, or by the constitution, or by the State Legislature at the same time the revenue is created.

Committed - amounts where constraints are imposed by bills which become law after passage by the State Legislature, the highest decision-making authority in the State. These constraints are imposed separately from the creation of the revenue. The revenue cannot be used for any other purpose unless the State Legislature removes or changes the specified use by taking the same formal action that originally imposed the constraint.

Assigned - amounts where constraints are imposed on the use of resources through the intent of the State Legislature or by its delegation to each agency director.

Unassigned - the residual amount of the General Fund, which is the only fund that reports a positive unassigned fund balance.

When an expenditure is incurred for purposes in which all classifications of spendable fund balance are available, it is the State's general policy to use the fund balances in the following order: restricted, committed, assigned, and unassigned.

- Q. Federal Grants** - Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.
- R. Bonds and Notes** - Bond and note proceeds, premiums and discounts are reported as other financing sources or uses in the governmental fund financial statements. In the government-wide and proprietary fund financial statements, bond and note premiums and discounts, as well as refunding charges (the difference between the carrying amount of redeemed/deceased debt and its reacquisition price), are deferred and amortized over the life of the bonds and notes using the straight-line method. Bonds and notes payable are reported net of the applicable unamortized bond and note premium and discount while refunding charges are reported as deferred outflows or deferred inflows of resources. Issuance costs are recognized as debt service expenditures/expenses in the period incurred.
- S. Changes in Accounting Standards** - The State implemented the following standards issued by GASB in the current fiscal year as required: GASB Statement No. 66, *Technical Corrections – 2012 - an amendment of GASB Statements No. 10 and No. 62*; GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The provisions of these standards have been incorporated into the financial statements and the notes.

The State will be implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. This Statement is effective for fiscal years beginning after June 15, 2014 and will establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures/expenses. For defined benefit pensions, this Statement will identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. The impact of this standard could affect a number of the State's financial statement amounts, disclosures and required supplemental information; however the State is unable to determine the magnitude of the Standard's implementation at this time.

# Mississippi

## Note 2 - Other Accounting Disclosures

- A. Net Position Restricted by Enabling Legislation** - The State's net position restricted by enabling legislation represent resources which a party external to government – such as citizens, public interest groups, or the judiciary – can compel the government to use only for the purpose specified by the legislation. The government-wide statement of net position reports \$4,236,636,000 of restricted net position, of which \$700,477,000 is restricted by enabling legislation.
- B. Deficit Net Position** - At June 30, 2014, the State Treasurer Prepaid Affordable College Tuition Fund (a major proprietary fund) has deficit net position of \$129,837,000. The deficit is a result of actual investment earnings being less than actuarial assumptions.
- C. Working Cash Stabilization Reserve Account** - The Budget Reform Act of 1992 created the Working Cash Stabilization Reserve Account (Account) and required that 100% of the unencumbered General Fund cash balance be deposited into the Account at the close of each fiscal year until the balance reaches \$40,000,000. Thereafter, 50% of the unencumbered General Fund ending cash balance must be deposited into the Account until it reaches 7.5% of General Fund appropriations for the current fiscal year. As required by law, the Account is not considered as a surplus or available funds when adopting a balanced budget. The Account balance, in excess of \$40,000,000, may be permanently transferred to the General Fund to cover deficits up to a maximum of \$50,000,000 in any one fiscal year. These transfers are restored to the Account out of future annual General Fund ending cash balances until the 7.5% maximum is again attained. At June 30, 2014, the Account, as reported in the General Fund, has an unassigned fund balance of \$110,180,000.
- D. Fund Balances** - At June 30, 2014, the State's restricted, committed and assigned fund balances are summarized by purpose as follows (amounts expressed in thousands):

|  | Restricted   | Committed  | Assigned  |
|--|--------------|------------|-----------|
| <b>Governmental Funds</b>              |              |            |           |
| <b>General</b>                         |              |            |           |
| General Government                     |              |            |           |
| Taxing Authority                       | \$ 226,425   | \$ 640     | \$        |
| Other                                  | 74,850       | 102,841    | 6,268     |
| Education                              | 124,098      | 6,689      | 44        |
| Health and Social Services             | 367,682      |            |           |
| Law, Justice and Public Safety         |              |            |           |
| Highway Safety                         | 33,388       | 1,590      |           |
| Other                                  | 72,004       | 17,106     | 1,765     |
| Recreation and Resources Development   |              |            |           |
| Industrial Development                 | 714,073      | 1,726      | 330       |
| Natural Resources                      | 553,437      |            |           |
| Other                                  | 87,126       | 2,389      | 2,096     |
| Regulation of Business and Professions | 59,680       |            |           |
| Transportation                         |              |            |           |
| Highways                               | 339,243      |            |           |
| State Roads and Bridges                | 61,979       | 6,955      |           |
| Other                                  | 79,240       |            |           |
| Capital Projects                       | 286,454      |            |           |
| Debt Service                           | 369,002      |            |           |
| Total General Fund                     | 3,448,681    | 139,936    | 10,503    |
| <b>Permanent</b>                       |              |            |           |
| Education                              | 4,201        |            |           |
| Health and Social Services             | 284          |            |           |
| Recreation and Resources Development   |              |            |           |
| Wildlife Conservation                  | 678          |            |           |
| Total Permanent Fund                   | 5,163        |            |           |
| Total Governmental Funds               | \$ 3,453,844 | \$ 139,936 | \$ 10,503 |

# Mississippi

## Note 3 - Interfund Transactions

At June 30, 2014, interfund receivables and interfund payables consisted of (amounts expressed in thousands):

| Due From                   | Due To   |                  |                           |                            |                     |                 | Total     |
|----------------------------|----------|------------------|---------------------------|----------------------------|---------------------|-----------------|-----------|
|                            | General  | Internal Service | Unemployment Compensation | Port Authority at Gulfport | Nonmajor Enterprise | Fiduciary Funds |           |
| Governmental:              |          |                  |                           |                            |                     |                 |           |
| General                    | \$       | \$ 21,473        | \$                        | \$ 7,121                   | \$ 11,472           | \$              | \$ 40,066 |
| Permanent                  | 160      |                  |                           |                            |                     |                 | 160       |
| Internal Service           | 1,013    | 102              | 587                       |                            | 57                  |                 | 1,759     |
| Proprietary:               |          |                  |                           |                            |                     |                 |           |
| Unemployment Compensation  | 1,135    |                  |                           |                            |                     |                 | 1,135     |
| Port Authority at Gulfport |          | 1                |                           |                            |                     |                 | 1         |
| Nonmajor Enterprise        | 420      | 2,358            |                           |                            |                     |                 | 2,778     |
| Fiduciary                  |          | 2                |                           |                            |                     | 12              | 14        |
| Total                      | \$ 2,728 | \$ 23,936        | \$ 587                    | \$ 7,121                   | \$ 11,529           | \$ 12           | \$ 45,913 |

Interfund receivables and payables are the results of 1) timing differences between the date expenses/expenditures occur and the date payments are made and 2) the accrual of tax distributions for taxes collected in the following fiscal year.

At June 30, 2014, amounts due from/to primary government and component units consisted of (amounts expressed in thousands):

| Due From            | Due To             |                  |                           |                     |                 |          |    |       |    |        |    |     |    |        |
|---------------------|--------------------|------------------|---------------------------|---------------------|-----------------|----------|----|-------|----|--------|----|-----|----|--------|
|                     | Primary Government |                  |                           |                     | Component Units |          |    | Total |    |        |    |     |    |        |
|                     | General            | Internal Service | Unemployment Compensation | Nonmajor Enterprise | Universities    | Nonmajor |    |       |    |        |    |     |    |        |
| Primary Government: |                    |                  |                           |                     |                 |          |    |       |    |        |    |     |    |        |
| General             | \$                 | \$               | \$                        | \$                  | \$              | 30,051   | \$ | 57    | \$ | 30,108 |    |     |    |        |
| Internal Service    |                    |                  |                           |                     |                 |          |    | 57    |    | 57     |    |     |    |        |
| Component Units:    |                    |                  |                           |                     |                 |          |    |       |    |        |    |     |    |        |
| Universities        | 396                | 207              | 243                       | 9                   |                 |          |    |       |    | 855    |    |     |    |        |
| Nonmajor            |                    | 667              |                           |                     |                 |          |    |       |    | 667    |    |     |    |        |
| Total               | \$                 | 396              | \$                        | 874                 | \$              | 243      | \$ | 9     | \$ | 30,051 | \$ | 114 | \$ | 31,687 |

Amounts due to and due from the primary government and component units are the results of timing differences between the date expenses/expenditures occur and the date payments are made.

At June 30, 2014, interfund transfers consisted of (amounts expressed in thousands):

| Transfer From       | Transfer To |                  |                            |                     | Total     |
|---------------------|-------------|------------------|----------------------------|---------------------|-----------|
|                     | General     | Internal Service | Port Authority at Gulfport | Nonmajor Enterprise |           |
| Governmental:       |             |                  |                            |                     |           |
| General             | \$          | \$ 200           | \$ 42,227                  | \$ 9,698            | \$ 52,125 |
| Permanent           | 1,006       |                  |                            |                     | 1,006     |
| Internal Service    | 160         |                  |                            |                     | 160       |
| Proprietary:        |             |                  |                            |                     |           |
| Nonmajor Enterprise | 3,342       |                  |                            |                     | 3,342     |
| Total               | \$ 4,508    | \$ 200           | \$ 42,227                  | \$ 9,698            | \$ 56,633 |

Interfund transfers are primarily used to 1) move revenues from funds required to collect them to funds required to expend them, 2) use revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) transfer capital facility construction and debt service expenditures to the funds making the payments.

# Mississippi

## Note 4 - Deposits and Investments

The State Treasurer maintains a cash and short-term investment pool for all state treasury funds and for investments of certain other state agencies. In addition, the Public Employees' Retirement System (the System), and a small number of other agencies carry out investment activities separate from the State Treasurer. A discussion of statutory authority for these investments follows.

The State Treasurer is authorized to invest all excess treasury funds of the state under Section 27-105-33, Mississippi Code Ann. (1972). Funds in the Working Cash-Stabilization Reserve Account and the Education Improvement Trust Account are invested by the State Treasurer as authorized by Sections 27-103-203 and 7-9-103, respectively, Mississippi Code Ann. (1972).

As a result of the settlement of the State's lawsuit against tobacco companies in 1999, Section 43-13-409, Mississippi Code Ann. (1972) created the Health Care Trust Fund Board (the Board). This code designates the State Treasurer as chairman and gives the Board investment authority.

The System is authorized to invest funds under Section 25-11-121, Mississippi Code Ann. (1972). All investments are governed by the Board of Trustee's policy of the prudent person rule. The prudent person rule establishes a standard for all fiduciaries, to act as a prudent person would be expected to act, with discretion and intelligence, while investing for income and preservation of principal.

### Primary Government Deposits (except for the System)

Section 27-105-5, Mississippi Code Ann. (1972) authorizes the State Treasurer to implement a statewide collateral pool program which secures all state and local public funds deposits through a centralized system of pledging securities to the State Treasurer. The program requires the State Treasurer as pledgee of all public funds to monitor the security portfolios of approved financial institutions and ensure public funds are adequately secured.

Section 27-105-5, Mississippi Code Ann. (1972) establishes the requirements for a financial institution to be approved as a qualified public funds depository. Generally, financial institutions make annual application to the State Treasurer for state funds by signing a contract and supplying the financial report as provided to its regulatory authority to assure the statutory required 5.5 percent primary capital to total assets ratio. When so approved by the State Treasurer, the financial institution is required to place on deposit with the State Treasurer collateral equal to at least 105 percent of the amount of public funds on deposit in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). Collateral may be held by a third party custodian, with approval of the State Treasurer, if conditions are met which protect the State's interests.

Sections 27-105-5 and 27-105-6, Mississippi Code Ann. (1972) establish a public funds guaranty pool administered by the Guaranty Pool Board and the State Treasurer. The Guaranty Pool Board is composed of the State Treasurer, Commissioner of Banking and Consumer Finance, five members nominated by the Mississippi Bankers Association, one member nominated by the Mississippi Supervisors Association, and one member nominated by the Mississippi Municipal League. The Guaranty Pool Board is responsible for reviewing and recommending criteria to be used by the State Treasurer in order to protect public deposits and the depositories in the guaranty pool program.

Sections 27-105-5 and 27-105-6, Mississippi Code Ann. (1972) establish criteria for a financial institution that has been in existence for three years or more to be approved as a qualified public funds depository and a public funds guaranty pool member. Potential guaranty pool members must submit an application and supply financial information to the State Treasurer as provided to its regulatory authority to verify the institution meets certain financial criteria established in the law. In addition to the requirements in the law, the Guaranty Pool Board has established additional membership requirements pursuant to its statutory authority. Once approved as a member of the public funds guaranty pool, the members must submit quarterly financial information to the State Treasurer. The Guaranty Pool Board uses this information to monitor the financial status of each member and the fiscal soundness of the guaranty pool.

Under the criteria established by the Guaranty Pool Board, an approved guaranty pool member must meet the 90 percent security requirement by depositing eligible collateral with the State Treasurer (or an approved custodian). The agreement provides that if a loss to a public depositor in the guaranty pool is not covered by deposit insurance and the proceeds from the sale of securities pledged by the defaulting depository, the difference will be provided by an assessment against other guaranty pool members on a pro rata basis.

Custodial credit risk for deposits is the risk that in the event of the failure of a financial institution, the government will not be able to recover deposits or collateral securities that are in the possession of an outside party. Of the statewide collateral pool cash deposits reported by the financial institutions as of June 30, 2014, \$53,322,000 was uninsured and uncollateralized. Of the primary government's cash deposits, which are not included in the statewide collateral pool, excluding the System as of June 30, 2014, \$90,000 was uninsured and uncollateralized.

# Mississippi

## Primary Government Investment Policies (except for the System)

The State Treasurer is authorized to invest all funds in the state pool in the following:

Certificates of deposit or term repurchase agreements with approved financial institutions, banks and savings associations domiciled in Mississippi;

Repurchase agreements and securities lending transactions (with at least 80 percent of the total dollar amount with qualified state depositories);

Direct U.S. Treasury obligations fully guaranteed by the U.S. Government;

U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise obligations, the principal and interest of which are fully guaranteed by U.S. Government, U.S. Government agency, U.S. Government instrumentality, or U.S. Government sponsored enterprise, not to exceed 50 percent of total investments with maturities of 30 days or longer. During the year, these investments exceeded the limit imposed by the statute. On September 7, 2008, Federal Home Loan Mortgage Corporation (FHLMC) and Federal National Mortgage Association (FNMA) were placed into conservatorship by the U.S. government, lending an additional level of security to these investments. The Agency bonds purchased over and above the statutory limitation were purchased in lieu of Treasury bonds that were offered at substantially lower yields. As Congress debates possible reforms to FHLMC and FNMA, the risk position of the portfolio will continue to be monitored to ensure that funds are invested in a manner consistent with the risk limitations intended by the statute. Whatever identity FHLMC and FNMA assume post-conservatorship will be evaluated in light of the statute and the appropriate limitations to the asset allocation will be imposed; and

Any open-end or closed-end management type investment company or investment trust registered under the provisions of 15 U.S.C. Section 80(a)-1 et seq., provided that the portfolio is limited to direct obligations issued by the U.S. (or its agencies, instrumentalities or sponsored enterprises) and to repurchase agreements fully collateralized by direct obligations of the U.S. (or its agencies, instrumentalities or sponsored enterprises). The total dollar amount of funds invested in all open-end and closed-end management type companies and investment trust cannot exceed 20 percent of total investments. Not more than \$500,000 may be invested with foreign financial institutions.

The State Treasurer, for the Working Cash-Stabilization Reserve Account and the Education Improvement Trust Account; and the Board are authorized to invest in the following:

Bonds, notes, certificates and other valid general obligations of the State, or of any county, city, or supervisor's district of any county of the State;

School district bonds of the State;

Notes or certificates of indebtedness issued by the Veterans' Home Purchase Board, not to exceed five percent of total investments;

Highway bonds of the State;

Corporate bonds of Grade A or better as rated by Standard & Poor's Corporation (S&P) or by Moody's Investors Service. The Board may invest up to 5 percent of the book value of the total fixed income investment in corporate bonds of Grade BBB/Baa or better as rated by S&P or by Moody's Investors Service;

Short-term obligations of corporations, or of wholly-owned subsidiaries of corporations, whose short-term obligations are rated A-3 or better by S&P or rated P-3 or better by Moody's Investors Service;

Bonds of the Tennessee Valley Authority;

Bonds, notes, certificates and other valid obligations of the U.S. or any federal instrumentality that issues securities under authority of an act of Congress and are exempt from registration with the U.S. Securities and Exchange Commission (SEC);

Bonds, notes, debentures and other securities issued by any federal instrumentality and fully guaranteed by the U.S.; and

Interest-bearing bonds or notes which are general obligations of any other state in the U.S. or any city or county therein, provided such city or county had a population as shown by the federal census next preceding such investment of not less than 25,000 inhabitants, and provided that such state, city, or county has not defaulted for a period longer than 30 days in the payment of principal or interest on any of its general obligation indebtedness during a period of ten calendar years immediately preceding such investment.

# Mississippi

In addition, the Board is authorized to invest in the following:

Bonds rated A or better, stocks and convertible securities of established non-U.S. companies which are listed on primary national stock exchanges of foreign nations and foreign government securities rated A or better by a recognized rating agency. The Board is authorized to hedge such transactions through foreign banks and generally deal in foreign exchange through the use of foreign currency, interbank forward contracts, futures contracts, options contracts, swaps and other related derivative instruments;

Shares of stock, common and/or preferred, of corporations created by or existing under the laws of the U.S. or any state, district or territory thereof;

Covered call and put options on securities traded on one or more of the regulated exchanges;

Pooled or commingled funds managed by a corporate trustee or by a SEC registered investment advisory firm and shares of investment companies and unit investment trusts registered under the Investment Company Act of 1940, where such pooled or commingled funds or shares are comprised of common or preferred stocks, bonds, money market instruments or other authorized investments; and

Pooled or commingled real estate funds or real estate securities managed by a corporate trustee or by a SEC registered investment advisory firm retained as an investment manager by the Board.

## Primary Government Investments (except for the System)

- A. Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The primary government follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The Moody's or S&P credit ratings for the primary government's investments as of June 30, 2014 are as follows (amounts expressed in thousands):

| Investment Type                     | Quality Ratings |              |           |          |            |
|-------------------------------------|-----------------|--------------|-----------|----------|------------|
|                                     | Aaa/AAA         | Aa/AA        | A/A       | Baa/BBB  | Not Rated  |
| Asset backed securities             | \$ 3,534        | \$ 2,381     | \$ 1,028  | \$ 2,327 |            |
| Collateralized mortgage obligations | 816             | 1,988        | 788       |          | 147,589    |
| Corporate bonds                     |                 | 4,913        | 17,186    | 5,983    |            |
| Mortgage pass-throughs              |                 |              |           |          | 107,952    |
| Mutual funds                        | 89,839          |              |           |          | 56,079     |
| State and local obligations         |                 | 250          |           |          |            |
| U.S. Government agency obligations  |                 | 1,780,075    |           |          |            |
| Total                               | \$ 94,189       | \$ 1,789,607 | \$ 19,002 | \$ 8,310 | \$ 311,620 |

- B. Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The primary government has no formal policy on limiting exposure to interest rate risk. As of June 30, 2014, the primary government had the following investments and maturities (amounts expressed in thousands):

| Investment Type                     | Fair Value   | Investment Maturities (in Years) |              |            |              |
|-------------------------------------|--------------|----------------------------------|--------------|------------|--------------|
|                                     |              | Less than 1                      | 1 - 5        | 6 - 10     | More than 10 |
| Asset backed securities             | \$ 9,270     | \$                               | \$ 3,178     | \$ 3,891   | \$ 2,201     |
| Collateralized mortgage obligations | 278,488      | 133                              | 8,637        | 1,522      | 268,196      |
| Corporate bonds                     | 33,138       | 2,213                            | 19,973       | 3,867      | 7,085        |
| Mortgage pass-throughs              | 115,976      | 29                               | 6,909        | 36,620     | 72,418       |
| Mutual funds                        | 145,918      | 91,624                           | 9,782        | 44,512     |              |
| Other pass-through securities       | 144,148      | 33                               | 34,897       | 22,474     | 86,744       |
| State and local obligations         | 250          |                                  | 250          |            |              |
| U.S. Government agency obligations  | 1,783,502    | 36,829                           | 1,265,030    | 479,907    | 1,736        |
| U.S. Treasury Obligations           | 578,460      | 82,409                           | 487,539      | 5,744      | 2,768        |
| Zero coupon bonds                   | 3,221        | 1,500                            | 1,675        | 46         |              |
| Total                               | \$ 3,092,371 | \$ 214,770                       | \$ 1,837,870 | \$ 598,583 | \$ 441,148   |

# Mississippi

Collateralized mortgage obligations (CMOs) are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations.

Asset backed securities (ABS) are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, ABS have been structured as pass-throughs and as structures with multiple bond classes.

Mortgage pass-through securities are issued by the FNMA, FHLMC, and Government National Mortgage Association (GNMA). These investments are backed by mortgage loans in which the borrowers have the option of prepaying.

- C. Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Board limits non-U.S. investments to 20 percent of total investments. The primary government's exposure to foreign currency risk at June 30, 2014, is as follows (amounts expressed in thousands):

| Currency               | Cash and<br>Equivalents | Equities  | Total Fair<br>Value |
|------------------------|-------------------------|-----------|---------------------|
| Australian dollar      | \$                      | \$ 4,129  | \$ 4,129            |
| British Pound sterling |                         | 5,396     | 5,396               |
| Euro                   |                         | 10,040    | 10,040              |
| Hong Kong dollar       |                         | 3,116     | 3,116               |
| Israeli shekel         |                         | 594       | 594                 |
| Japanese yen           |                         | 3,769     | 3,769               |
| Malaysian ringgit      | 3                       | 1,970     | 1,973               |
| New Taiwan dollar      | 135                     | 1,290     | 1,425               |
| Norwegian krone        |                         | 352       | 352                 |
| Singapore dollar       |                         | 2,079     | 2,079               |
| Swedish krona          |                         | 1,315     | 1,315               |
| Swiss franc            |                         | 4,994     | 4,994               |
| Total                  | \$ 138                  | \$ 39,044 | \$ 39,182           |

- D. Concentration of Credit Risk** - Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The primary government limits investment in the Veteran's Home Purchase Board notes or certificates to not more than five percent of total investment holdings. By statute, the Board's investments in stocks of any one corporation are limited to not more than three percent of the book value of their assets. The primary government has the following investments that represent more than five percent of net investments (amounts expressed in thousands):

|  |            |        |
|--|------------|--------|
| Federal Home Loan Bank                 | \$ 566,990 | 13.30% |
| Federal Home Loan Mortgage Corporation | 544,634    | 12.78  |
| Federal National Mortgage Association  | 683,816    | 16.04  |

- E. Investment Derivatives** – In a prior year, the State entered into interest rate swap agreements in connection with variable rate bonds with final maturity dates ranging from fiscal year 2026 to 2028 in order to hedge changes in cash flows. The 2012C and 2012D bonds have been refunded with new final maturities of November 1, 2017 and September 1, 2017, respectively. As a result of the refunding, the portions of the swap agreements attributable to payment dates beyond the maturity dates have no hedgeable item and therefore, are being accounted for as investment derivatives. Details of the June 30, 2014 fair values, changes in fair values, and risk disclosures of the investment derivatives are included in the derivative disclosures presented in Note 9 – Long-term General Obligation Bonds.

## System Deposits

Section 25-11-121, Mississippi Code Ann. (1972), requires the System's Board of Trustees to determine the degree of collateralization necessary for both foreign and domestic demand deposits in addition to that which is guaranteed by federal insurance programs. These statutes also require that, when possible, the types of collateral securing deposits be limited to securities in which the System itself may invest. The Board of Trustees has established a policy to require collateral equal to at least 100 percent of the amount on deposit in excess of that which is guaranteed by federal insurance programs to the credit of the System for domestic demand deposit accounts. No collateral is required for foreign demand deposit accounts, and at June 30, 2014, the System had no deposits in foreign demand deposit accounts.

# Mississippi

For deposits, custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Section 25-11-121, Mississippi Code Ann. (1972), provides that the deposits of the System in any U.S. bank shall, where possible, be safeguarded and guaranteed by the posting of bonds, notes, and other securities as security by the depository. The System's Board of Trustees has formally adopted a short-term investment policy that requires that the market value of securities guaranteeing the deposits shall at all times be equal to 100 percent of the amount of funds on deposit.

## **System Investment Policies**

The System is authorized to invest in the following:

Bonds, notes, certificates and other valid general obligations of the State, or of any county, city, or supervisor's district of any county of the State;

School district bonds of the State;

Notes or certificates of indebtedness issued by the Veterans' Home Purchase Board, not to exceed five percent of total investments;

Highway bonds of the State;

Corporate bonds rated by S&P or by Moody's Investors Service;

Short-term obligations of corporations, or of wholly-owned subsidiaries of corporations, whose short-term obligations are rated A-3 or better by S&P or rated P-3 or better by Moody's Investors Service;

Bonds of the Tennessee Valley Authority;

Bonds, notes, certificates and other valid obligations of the U.S. or any federal instrumentality that issues securities under authority of an act of Congress and are exempt from registration with the SEC;

Bonds, notes, debentures and other securities issued by any federal instrumentality and fully guaranteed by the U.S.;

Bonds, stocks, and convertible securities of established foreign companies that are listed on primary national stock exchanges of foreign nations and foreign government securities. The System is authorized to hedge such transactions through foreign banks and generally deal in foreign exchange through the use of foreign currency, interbank forward contracts, futures contracts, options contracts, swaps and other related derivative instruments;

Interest-bearing bonds or notes that are general obligations of any other state in the U.S. or any city or county therein, provided such city or county had a population as shown by the most recent federal census of not less than 25,000 inhabitants, and provided that such state, city, or county has not defaulted for a period longer than 30 days in the payment of principal or interest on any of its general obligation indebtedness during a period of ten calendar years immediately preceding such investment;

Shares of stock, common and/or preferred, of corporations created by or existing under the laws of the U.S. or any state, district or territory thereof;

Covered call and put options on securities traded on one or more of the regulated exchanges;

Pooled or commingled funds managed by a corporate trustee or by a SEC registered investment advisory firm and shares of investment companies and unit investment trusts registered under the Investment Company Act of 1940, where such pooled or commingled funds or shares are comprised of common or preferred stocks, bonds, money market instruments or other authorized investments;

Pooled or commingled real estate funds or real estate securities managed by a corporate trustee or by a SEC registered investment advisory firm retained as an investment manager by the System. Section 25-11-121, Mississippi Code Ann. (1972), allows the System to invest up to ten percent of the total portfolio in real estate only via real estate securities and commingled funds. Direct ownership of real estate assets is prohibited. The portfolio is divided between core commingled and value added real estate fund investments, which directly invest in properties, and in managed portfolios of Real Estate Investment Trusts (REITs). REITs are exchange traded securities that provide indirect exposure to real estate properties and real estate management companies. Fair values of commingled fund properties are based on the most recent independent appraisal values. Independent appraisal firms which are Members of Appraisal Institute (MAI) are required to conduct valuations at least annually; and

Up to ten percent of the total book value of investments can be types of investments not specifically authorized by this section, if the investments are in the form of a separate account managed by a SEC registered investment advisory firm retained as an investment manager by the Board of Trustees, or a limited partnership, or commingled fund.



# Mississippi

## System Investments

- A. Credit Risk** - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The System follows the statutes as previously discussed as its policy for limiting exposure to credit risk. The Board of Trustees has adopted a short-term investment policy which further restricts commercial paper to be of corporations with long-term debt to be rated A or better by S&P or Moody's, and whose short-term obligations are of A-2 or P-2 or better ratings by S&P and Moody's, respectively. This applies to all short-term investments. In addition to the short-term investment policy, a policy adopted for the internally-managed short-term account requires that for any amount above the established core of \$30 million, no more than 25 percent may be invested in any issue having a rating lower than AA or A1/P1. Credit risk for derivatives results from the same considerations as other counterparty risk assumed by the System. Policy requires that the credit quality of the underlying asset must be rated A or better by Moody's or S&P. The lending agent is permitted to purchase asset-backed securities for the cash collateral fund that are only AAA rated.

The Moody's or S&P credit ratings for the System's investments as of June 30, 2014 are as follows (amounts expressed in thousands):

| Investment Type                     | Quality Ratings |              |              |              |            |            |
|-------------------------------------|-----------------|--------------|--------------|--------------|------------|------------|
|                                     | Aaa/AAA         | Aa/AA        | A/A          | Baa/BBB      | Ba/BB      | B/B        |
| Asset backed securities             | \$ 951,776      | \$ 30,159    | \$ 35,972    | \$ 23,296    | \$ 5,249   | \$ 6,361   |
| Collateralized mortgage obligations | 201,397         | 198,505      | 40,146       | 50,602       | 17,191     | 22,441     |
| Commercial paper                    |                 |              | 514,890      |              |            |            |
| Corporate bonds                     | 103,260         | 912,095      | 1,287,619    | 926,480      | 274,263    | 150,801    |
| Mortgage pass-throughs              |                 | 299,587      |              |              |            |            |
| Repurchase agreements               |                 | 178,218      |              |              |            |            |
| Sovereign governments debt          | 113,164         | 127,222      | 228,876      | 476,628      | 124,661    | 50,961     |
| State and local obligations         | 1,113           | 19,416       | 22,192       | 3,699        |            |            |
| U.S. Government agency obligations  | 2,291           | 70,869       |              |              |            |            |
| Yankee/Global bonds                 | 39,665          | 9,118        | 1,081        | 15,012       | 1,907      |            |
| Total                               | \$ 1,412,666    | \$ 1,845,189 | \$ 2,130,776 | \$ 1,495,717 | \$ 423,271 | \$ 230,564 |

| Investment Type                     | Quality Ratings |          |        |           |            |           |          |           |
|-------------------------------------|-----------------|----------|--------|-----------|------------|-----------|----------|-----------|
|                                     | Caa/CCC         | Ca/CC    | C/C    | D/D       | F          | P         | WR       | Not Rated |
| Asset backed securities             | \$ 12,476       | \$ 3     | \$ 18  | \$        | \$         | \$        | 40       | \$        |
| Collateralized mortgage obligations | 25,565          | 1,714    | 419    | 17,486    |            |           | 260      | 3,771     |
| Commercial paper                    |                 |          |        |           | 213,170    | 11,101    |          |           |
| Corporate bonds                     | 6,363           |          |        |           |            |           | 534      | 2,505     |
| Sovereign governments debt          | 29,639          | 3,319    |        |           |            |           | 913      |           |
| Yankee/Global bonds                 |                 |          |        |           |            |           |          | 1,287     |
| Total                               | \$ 74,043       | \$ 5,036 | \$ 437 | \$ 17,486 | \$ 213,170 | \$ 11,101 | \$ 1,747 | \$ 7,563  |

- B. Custodial Credit Risk** - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Section 25-11-121, Mississippi Code Ann. (1972), requires that all investments be clearly marked as to ownership, and to the extent possible, shall be registered in the name of the System. Within the System, the pension funds have \$29,912,555,000 in investments at June 30, 2014. Of this amount, \$5,100,000,000 was exposed to custodial credit risk. These are cash collateral reinvestment securities held in the name of the custodian who acquired them as the lending agent/counterparty and the securities on loan for securities collateral that is held in the name of the lending agent. This is consistent with the securities lending agreement in place with the custodian.

# Mississippi

The fair value of the System's cash collateral securities and the underlying securities on non-cash loans, as of June 30, 2014, consisted of (amounts expressed in thousands):

| Investment Type                               | Fair Value          |
|---|---------------------|
| Cash collateral securities                    |                     |
| Asset backed securities                       | \$ 913,980          |
| Collateralized mortgage obligations           | 25,705              |
| Commercial paper                              | 739,161             |
| Corporate bonds                               | 1,870,065           |
| Repurchase agreements                         | 173,185             |
| Total cash collateral securities              | 3,722,096           |
| Underlying securities on non-cash loans       |                     |
| Debt securities                               | 89,684              |
| Equities                                      | 1,204,609           |
| Real Estates Investment Trusts                | 113,050             |
| Total underlying securities on non-cash loans | 1,407,343           |
|   | <u>\$ 5,129,439</u> |

- C. Interest Rate Risk** - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The System has no formal policy on limiting exposure to interest rate risk. As of June 30, 2014, the System had the following investments and maturities (amounts expressed in thousands):

| Investment Type                     | Fair Value          | Investment Maturities (in Years) |                     |                     |                     |
|-------------------------------------|---------------------|----------------------------------|---------------------|---------------------|---------------------|
|                                     |                     | Less than 1                      | 1 - 5               | 6 - 10              | More than 10        |
| Asset backed securities             | \$ 1,065,350        | \$ 996,737                       | \$ 32,729           | \$ 20,574           | \$ 15,310           |
| Collateralized mortgage obligations | 579,497             | 100,670                          | 4,882               | 25,343              | 448,602             |
| Commercial paper                    | 739,161             | 739,161                          |                     |                     |                     |
| Corporate bonds                     | 3,663,920           | 869,293                          | 1,650,778           | 765,321             | 378,528             |
| Mortgage pass-throughs              | 376,035             |                                  | 2,239               | 8,342               | 365,454             |
| Repurchase agreements               | 178,218             | 178,218                          |                     |                     |                     |
| Sovereign governments debt          | 1,155,383           | 47,484                           | 276,894             | 519,224             | 311,781             |
| State and local obligations         | 46,420              | 357                              | 506                 | 9,008               | 36,549              |
| U.S. Government agency obligations  | 73,160              | 10,397                           | 26,904              | 7,895               | 27,964              |
| U.S. Treasury obligations           | 783,823             | 47,191                           | 324,454             | 342,064             | 70,114              |
| Yankee/Global bonds                 | 68,070              | 1,651                            | 38,189              | 9,273               | 18,957              |
| Total                               | <u>\$ 8,729,037</u> | <u>\$ 2,991,159</u>              | <u>\$ 2,357,575</u> | <u>\$ 1,707,044</u> | <u>\$ 1,673,259</u> |

During fiscal year 2014, the investments in derivatives were exclusively in asset/liability based derivatives such as interest-only (IO) strips, CMOs and ABS. The System reviews fair values of all securities on a monthly basis and prices are obtained from recognized pricing sources. Derivative securities are held, in part, to maximize yields. IO and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors which may result from a decline in interest rates. The System held IO strips valued at \$25,100,000 at fiscal year end. The derivatives policy limits IO and PO strips to 3 percent of the investment portfolio.

CMOs are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with that CMO's established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly more sensitive to interest rate fluctuations. In a declining interest rate environment, some CMOs may be subject to a reduction in interest payments as a result of prepayments of mortgages which make up the collateral pool. A reduction in interest payments causes a decline in cash flows and, thus a decline in the fair value of the CMO security. Rising interest rates may cause an increase in interest payments, thus an increase in the value of the security. The System held \$579,500,000 in CMOs at June 30, 2014. Of this amount, \$223,200,000 were tranches that are highly sensitive to future changes in interest rates. CMO residuals are prohibited under the derivatives policy.

ABS are bonds or notes backed by loan paper or accounts receivable originated by banks, credit card companies, or other credit providers. The originator of the loan or accounts receivable paper sells it to a specially created trust, which repackages it as securities. Similar to CMOs, ABS have been structured as pass-throughs and as structures with multiple

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bond classes. Of the \$1,065,400,000 in ABS held at June 30, 2014, \$46,400,000 are highly sensitive to changes in interest rates. ABS which are leveraged structures or residual interests are prohibited by the derivatives policy.

At June 30, 2014, the System has invested in \$376,000,000 in mortgage pass-through securities issued by the FNMA, FHLMC, and GNMA. These investments are moderately sensitive to changes in interest rates because they are backed by mortgage loans in which the borrowers have the option of prepaying.

- D. Foreign Currency Risk** - Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Investment Committee of the Board of Trustees evaluates the actual investment asset allocation quarterly, in accordance with the adopted phase-in policy. Based on current market conditions, the Board adjusts the allocation as necessary. The investment asset allocation policy does not limit foreign currency-denominated investments of the System. The System's exposure to foreign currency risk at June 30, 2014, is as follows (amounts expressed in thousands):

| Currency               | Cash and<br>Equivalents | Equities<br>and REITs | Debt<br>Securities | Total Fair<br>Value |
|------------------------|-------------------------|-----------------------|--------------------|---------------------|
| Australian dollar      | \$ (24,873)             | \$ 246,773            | \$ 25,767          | \$ 247,667          |
| Brazilian real         | (7,588)                 | 186,213               | 33,306             | 211,931             |
| British pound sterling | (94,450)                | 904,642               | 99,288             | 909,480             |
| Canadian dollar        | (41,697)                | 215,474               | 45,591             | 219,368             |
| Chilean peso           | 1                       | 7,266                 |                    | 7,267               |
| Columbian peso         | (2,201)                 |                       | 7,402              | 5,201               |
| Danish krone           | (1,741)                 | 57,809                | 1,813              | 57,881              |
| Egyptian pound         |                         | 3,512                 |                    | 3,512               |
| Euro                   | (336,565)               | 1,537,635             | 375,107            | 1,576,177           |
| Hong Kong dollar       | 935                     | 317,585               |                    | 318,520             |
| Hungarian forint       |                         | 9,838                 |                    | 9,838               |
| Indian rupee           | 181                     | 120,403               |                    | 120,584             |
| Indonesian rupiah      | 11                      | 60,300                |                    | 60,311              |
| Israeli shekel         | 79                      | 19,515                |                    | 19,594              |
| Japanese yen           | (91,930)                | 869,017               | 96,892             | 873,979             |
| Kenyan shilling        |                         | 2,057                 |                    | 2,057               |
| Malaysian ringgit      | 5,330                   | 17,899                |                    | 23,229              |
| Mexican peso           | (48,210)                | 33,842                | 93,481             | 79,113              |
| New Taiwan dollar      | 249                     | 118,820               | -                  | 119,069             |
| New Turkish lira       | (2,475)                 | 58,710                | 2,503              | 58,738              |
| New Zealand dollar     | (23,854)                | 11,997                | 24,316             | 12,459              |
| Norwegian krone        | (4,299)                 | 69,082                | 4,480              | 69,263              |
| Pakistani rupee        |                         | 18,076                |                    | 18,076              |
| Peruvian nuevo sol     | (1,113)                 |                       | 3,071              | 1,958               |
| Philippines peso       | 193                     | 4,645                 | 6,403              | 11,241              |
| Polish zloty           | (4,287)                 | 2,556                 | 6,127              | 4,396               |
| Qatari riyal           |                         | 2,139                 |                    | 2,139               |
| Russian ruble          | (3,093)                 | 3,948                 | 5,150              | 6,005               |
| Singapore dollar       | (343)                   | 94,204                | 2,481              | 96,342              |
| South African rand     | (10,739)                | 128,973               | 17,431             | 135,665             |
| South Korean won       | 1                       | 230,573               |                    | 230,574             |
| Swedish krona          | (7,244)                 | 96,455                | 7,780              | 96,991              |
| Swiss franc            | 2,384                   | 303,507               |                    | 305,891             |
| Thailand baht          |                         | 37,603                |                    | 37,603              |
| Total                  | \$ (697,338)            | \$ 5,791,068          | \$ 858,389         | \$ 5,952,119        |

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- E. Investment Derivatives** - The System's derivatives policy limits foreign currency forwards to no more than 100 percent of the aggregate value of the portfolio securities denominated in the hedged currency. The counterparties of the foreign currency forwards have short term credit ratings of A or better as rated by the nationally recognized statistical rating organizations. The System's general policy requires that the counterparty has a long term credit rating of A or better and a short term credit rating of A1/P1 at a minimum. More specifically, the System's policy requires that all over-the-counter derivatives be rated AA or better by the nationally recognized statistical rating organizations. The counterparties of the to-be-announced securities are primarily rated A by the nationally recognized statistical rating organizations. The foreign currency forwards are presented in the foreign currency risk table, and the to-be-announced securities are disclosed in the interest rate risk table by years to maturity. The investment derivative instruments outstanding as of June 30, 2014 are as follows (amounts expressed in thousands):

| Investment Type            | Notional Amount | Changes in Fair Value |            | Fair Value at June 30, 2014 |            |
|----------------------------|-----------------|-----------------------|------------|-----------------------------|------------|
|                            |                 | Classification        | Amount     | Classification              | Amount     |
| Foreign currency forwards  | \$ (15,640,273) | Investment income     | \$ (5,747) | Investment                  | \$ (5,747) |
| To-be-announced securities | 108,169         | Investment income     | 805        | Debt securities             | 114,296    |

- F. Securities Lending Transactions** - The Board of Trustees has authorized the System to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System's custodian, pursuant to a written agreement, is permitted to lend all long-term securities to authorized broker-dealers subject to the receipt of acceptable collateral. There have been no significant violations of the provisions of the agreement during the period of this statement. The System lends securities for collateral in the form of either cash or other securities. The types of securities on loan at June 30, 2014, by the System are long-term U.S. Government and agency obligations, corporate bonds, REITs, and domestic and international equities.

At the initiation of a cash loan, borrowers are required to provide collateral amounts of 102 percent on U.S. securities and international securities denominated in the same currency of the loaned security. For international securities that are denominated in a currency other than the currency of the loaned security, 105 percent collateral is required at the initiation of the loan. In the event the collateral fair value on U.S. securities and foreign debt falls to less than 100 percent of the respective fair value of the securities lent, the borrower is required to provide additional collateral by the end of the next business day. In the event the collateral fair value falls below 102 percent for international same-currency transactions or 105 percent for cross-currency transactions, the borrower is required to provide additional collateral. The contractual agreement with the custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the System income distributions by the securities' issuers while the securities are on loan. The System cannot pledge, lend, or sell securities received as collateral unless the borrower defaults. The System has contracted with its custodian to invest cash collateral received from the transfer of securities in any investment instrument authorized by Section 25-11-121, Mississippi Code Ann. (1972).

For non-cash loans, 110 percent collateral is required from the borrowers. The System cannot pledge, lend, or sell securities received as collateral unless the borrower defaults. Authorized securities' collateral includes U.S. and non-U.S. government debt obligations and securities, supranational debt obligations, U.S. and non-U.S. equity securities listed on specified indices, U.S. and non-U.S. corporate bonds, and convertible securities. Equities and debt obligations were held as collateral on the non-cash loans as of June 30 2014.

The maturities of the investments made with cash collateral generally do not match the maturities of the securities loans. All securities loans can be terminated on demand by either the System or the borrower, although the average term of these loans was 4 days at June 30, 2014. Cash collateral was invested in repurchase agreements, commercial paper, corporate bonds, ABS and CMOs. The weighted average effective duration of all collateral investments at June 30, 2014, was 37 days with a weighted average maturity of 37 days.

Securities lent at year end for cash collateral and non-cash collateral are presented by type. Securities lent for securities collateral are classified according to the custodial credit risk category for the collateral. There were \$1,407,343,000 securities lent for securities collateral as of June 30, 2014. The investments purchased with the cash collateral are presented in the discussion of custodial credit risk, since the custodian, as agent, is the counterparty in acquiring these securities in a separate account for the System.

At year end, the System had no credit risk exposure to borrowers because the amount the System owed the borrowers exceeded the amount the borrowers owed the System. At June 30, 2014, the aggregate fair value of securities lending holdings, including accrued interest was \$3,723,913,000 and the aggregate fair value, including accrued interest, of the underlying securities lent was \$5,010,671,000. The value of the collateral pledged by borrowers at year end was \$5,285,635,000.

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## Note 5 - Receivables

At June 30, 2014, receivables consisted of (amounts expressed in thousands):

|   | <b>Governmental Funds</b> |           |                  |                     | <b>Total Governmental Activities</b> |           |
|---|---------------------------|-----------|------------------|---------------------|--------------------------------------|-----------|
|   | General                   | Permanent | Internal Service | Receivables Reclass |                                      |           |
| Accounts  | \$ 177,237                | \$ 60     | \$ 41            | \$ 2                | \$                                   | 177,340   |
| Taxes:  |                           |           |                  |                     |                                      |           |
| Sales   | 336,862                   |           |                  |                     |                                      | 336,862   |
| Income  | 295,636                   |           |                  |                     |                                      | 295,636   |
| Gasoline  | 49,155                    |           |                  |                     |                                      | 49,155    |
| Other   | 66,577                    |           |                  |                     |                                      | 66,577    |
| Interest and dividends                                  | 11,119                    | 289       | 360              |                     |                                      | 11,768    |
| Other   | 1                         |           |                  |                     |                                      | 1         |
| Gross receivables                                       | 936,587                   | 349       | 401              | 2                   |                                      | 937,339   |
| Allowance for uncollectibles                            | (182,409)                 |           |                  |                     |                                      | (182,409) |
| Receivables, net  | \$ 754,178                | \$ 349    | \$ 401           | \$ 2                | \$                                   | 754,930   |
| Amounts not scheduled for collection in subsequent year | \$ 145,853                |           |                  |                     | \$                                   | 145,853   |

|                              | <b>Business-type Activities</b> |                            |                                    |          |    | <b>Total</b> |
|------------------------------|---------------------------------|----------------------------|------------------------------------|----------|----|--------------|
|                              | Unemployment Compensation       | Port Authority at Gulfport | Prepaid Affordable College Tuition | Nonmajor |    |              |
| Accounts                     | \$ 82,959                       | \$ 1,466                   | \$ 2,552                           | \$ 4,280 | \$ | 91,257       |
| Assessments                  | 51,845                          |                            |                                    |          |    | 51,845       |
| Interest and dividends       |                                 | 88                         | 602                                | 591      |    | 1,281        |
| Gross receivables            | 134,804                         | 1,554                      | 3,154                              | 4,871    |    | 144,383      |
| Allowance for uncollectibles | (73,820)                        |                            |                                    | (9)      |    | (73,829)     |
| Receivables, net             | \$ 60,984                       | \$ 1,554                   | \$ 3,154                           | \$ 4,862 | \$ | 70,554       |

|                              | <b>Component Units</b> |          |              |
|------------------------------|------------------------|----------|--------------|
|                              | Universities           | Nonmajor | Total        |
| Accounts                     | \$ 2,823,063           | \$ 3,584 | \$ 2,826,647 |
| Interest                     | 2,805                  | 182      | 2,987        |
| Gross receivables            | 2,825,868              | 3,766    | 2,829,634    |
| Allowance for uncollectibles | (2,543,211)            |          | (2,543,211)  |
| Receivables, net             | \$ 282,657             | \$ 3,766 | \$ 286,423   |

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## Note 6 - Due From Other Governments

At June 30, 2014, due from other governments consisted of (amounts expressed in thousands):

|   | <b>Governmental Funds</b> |                  |    | <b>Total Governmental Activities</b> |
|---|---------------------------|------------------|----|--------------------------------------|
|   | General                   | Internal Service |    |                                      |
| Due from other governments                              | \$ 1,147,414              | \$ 633           | \$ | 1,148,047                            |
| Allowance for uncollectibles                            | (121)                     |                  |    | (121)                                |
| Due from other governments, net                         | \$ 1,147,293              | \$ 633           | \$ | 1,147,926                            |
| Amounts not scheduled for collection in subsequent year | \$ 620,058                |                  | \$ | 620,058                              |

|                                 | <b>Business-type Activities</b> |                            |          |
|---------------------------------|---------------------------------|----------------------------|----------|
|                                 | Unemployment Compensation       | Port Authority at Gulfport | Total    |
| Due from other governments      | \$ 2,586                        | \$ 19                      | \$ 2,605 |
| Allowance for uncollectibles    | (2,032)                         |                            | (2,032)  |
| Due from other governments, net | \$ 554                          | \$ 19                      | \$ 573   |

## Note 7 - Loans and Notes Receivable

At June 30, 2014, loans and notes receivables consisted of (amounts expressed in thousands):

|   | <b>Primary Government</b>                                | <b>Component Units</b> |          |            |
|---|--|------------------------|----------|------------|
|   | Governmental Activities<br>Governmental Funds<br>General | Universities           | Nonmajor | Total      |
| Loans and notes receivable                              | \$ 376,917   | \$ 207,391             | \$ 650   | \$ 208,041 |
| Allowance for uncollectibles                            | (50,402)   | (26,636)               |          | (26,636)   |
| Loans and notes receivable, net                         | \$ 326,515   | \$ 180,755             | \$ 650   | \$ 181,405 |
| Amounts not scheduled for collection in subsequent year | \$ 293,208   | \$ 142,007             |          | \$ 142,007 |

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## Note 8 - Capital Assets

### Primary Government

Capital asset activity for the year ended June 30, 2014, was as follows (amounts expressed in thousands):

| <b>Governmental Activities:</b>             | <b>Beginning<br/>Balance</b> | <b>Increases</b> | <b>Decreases</b> | <b>Ending<br/>Balance</b> |
|---|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated:       |                              |                  |                  |                           |
| Land  | \$ 2,179,301                 | \$ 55,140        | \$ 83            | \$ 2,234,358              |
| Construction in progress                    | 4,408,014                    | 786,528          | 1,091,371        | 4,103,171                 |
| Total capital assets not being depreciated  | 6,587,315                    | 841,668          | 1,091,454        | 6,337,529                 |
| Capital assets being depreciated:           |                              |                  |                  |                           |
| Software                                    | 5,953                        | 55,620           |                  | 61,573                    |
| Buildings                                   | 2,005,400                    | 92,785           | 14,130           | 2,084,055                 |
| Land improvements                           | 232,895                      | 11,703           | 1,855            | 242,743                   |
| Machinery and equipment                     | 662,021                      | 87,959           | 32,473           | 717,507                   |
| Infrastructure                              | 9,322,380                    | 916,544          | 257,266          | 9,981,658                 |
| Total capital assets being depreciated      | 12,228,649                   | 1,164,611        | 305,724          | 13,087,536                |
| Less accumulated depreciation for:          |                              |                  |                  |                           |
| Software                                    | 4,505                        | 437              |                  | 4,942                     |
| Buildings                                   | 550,403                      | 40,168           | 8,231            | 582,340                   |
| Land improvements                           | 114,281                      | 9,817            | 580              | 123,518                   |
| Machinery and equipment                     | 440,226                      | 48,274           | 26,829           | 461,671                   |
| Infrastructure                              | 3,264,659                    | 299,983          | 257,266          | 3,307,376                 |
| Total accumulated depreciation              | 4,374,074                    | 398,679          | 292,906          | 4,479,847                 |
| Total capital assets being depreciated, net | 7,854,575                    | 765,932          | 12,818           | 8,607,689                 |
| Governmental activities capital assets, net | \$ 14,441,890                | \$ 1,607,600     | \$ 1,104,272     | \$ 14,945,218             |

| <b>Business-type Activities:</b>             | <b>Beginning<br/>Balance</b> | <b>Increases</b> | <b>Decreases</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|------------------|------------------|---------------------------|
| Capital assets not being depreciated:        |                              |                  |                  |                           |
| Land   | \$ 71,111                    | \$ 59,422        | \$ 117           | \$ 130,416                |
| Construction in progress                     | 62,202                       | 36,837           | 62,952           | 36,087                    |
| Total capital assets not being depreciated   | 133,313                      | 96,259           | 63,069           | 166,503                   |
| Capital assets being depreciated:            |                              |                  |                  |                           |
| Buildings                                    | 75,030                       | 2,346            |                  | 77,376                    |
| Land improvements                            | 41,672                       | 1,178            |                  | 42,850                    |
| Machinery and equipment                      | 20,362                       | 820              | 416              | 20,766                    |
| Infrastructure                               | 124,636                      |                  |                  | 124,636                   |
| Total capital assets being depreciated       | 261,700                      | 4,344            | 416              | 265,628                   |
| Less accumulated depreciation for:           |                              |                  |                  |                           |
| Buildings                                    | 20,204                       | 1,505            |                  | 21,709                    |
| Land improvements                            | 22,909                       | 1,474            |                  | 24,383                    |
| Machinery and equipment                      | 11,822                       | 988              | 268              | 12,542                    |
| Infrastructure                               | 48,609                       | 3,921            |                  | 52,530                    |
| Total accumulated depreciation               | 103,544                      | 7,888            | 268              | 111,164                   |
| Total capital assets being depreciated, net  | 158,156                      | (3,544)          | 148              | 154,464                   |
| Business-type activities capital assets, net | \$ 291,469                   | \$ 92,715        | \$ 63,217        | \$ 320,967                |

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Depreciation expense was charged to functions/programs as follows (amounts expressed in thousands):

## Governmental Activities:

|   |    |                |
|---|----|----------------|
| General government  | \$ | 21,941         |
| Education   |    | 3,955          |
| Health and social services  |    | 14,418         |
| Law, justice and public safety  |    | 28,614         |
| Recreation and resources development  |    | 10,938         |
| Regulation of business and profession   |    | 201            |
| Transportation  |    | 314,419        |
| Depreciation on capital assets held by the government's internal service funds is charged to the various functions based on their usage of the assets |    | 4,193          |
| Total depreciation expense - governmental activities  | \$ | <u>398,679</u> |

## Business-type Activities:

|   |    |              |
|---|----|--------------|
| Port Authority at Gulfport                            | \$ | 6,397        |
| Other business-type                                   |    | 1,491        |
| Total depreciation expense - business-type activities | \$ | <u>7,888</u> |

Construction in progress is composed of (amounts expressed in thousands):

|  | Project<br>Authorization | Expended<br>To Date | Outstanding<br>Commitment |
|--|--------------------------|---------------------|---------------------------|
| <b>Governmental Activities:</b>          |                          |                     |                           |
| Department of Transportation             | \$ 4,711,621             | \$ 3,848,168        | \$ 866,006                |
| Department of Finance and Administration | 142,863                  | 95,034              | 44,447                    |
| Information Technology Services          | 11,115                   | 9,634               | 1,201                     |
| Wireless Communication Commission        | 26,658                   | 13,133              | 13,525                    |
| Department of Public Safety              | 44,308                   | 31,887              | 5,713                     |
| Department of Health                     | 41,608                   | 33,994              | 325                       |
| Department of Revenue                    | 33,740                   | 18,475              | 15,264                    |
| East MS State Hospital                   | 25,019                   | 11,935              | 11,978                    |
| Military Department                      | 19,242                   | 17,354              | 1,888                     |
| Department of Rehabilitation Services    | 13,578                   | 12,855              | 699                       |
| Other projects less than \$10 million    | 16,655                   | 10,702              | 4,266                     |
| Total governmental activities            | <u>5,086,407</u>         | <u>4,103,171</u>    | <u>965,312</u>            |
| <b>Business-type Activities:</b>         |                          |                     |                           |
| Port Authority at Gulfport               | 81,211                   | 36,087              | 45,124                    |
| Total business-type activities           | <u>81,211</u>            | <u>36,087</u>       | <u>45,124</u>             |
| Total construction in progress           | <u>\$ 5,167,618</u>      | <u>\$ 4,139,258</u> | <u>\$ 1,010,436</u>       |



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## Component Units

At June 30, 2014, capital assets consisted of (expressed in thousands):

|   | Universities | Nonmajor   | Total        |
|---|--------------|------------|--------------|
| Capital assets not being depreciated:       |              |            |              |
| Land  | \$ 87,771    | \$ 17,142  | \$ 104,913   |
| Construction in progress                    | 494,824      | 2,984      | 497,808      |
| Total capital assets not being depreciated  | 582,595      | 20,126     | 602,721      |
| Capital assets being depreciated:           |              |            |              |
| Buildings                                   | 3,088,339    | 161,857    | 3,250,196    |
| Land improvements                           | 312,651      | 50,585     | 363,236      |
| Machinery and equipment                     | 1,153,571    | 27,664     | 1,181,235    |
| Infrastructure                              |              | 37,965     | 37,965       |
| Total capital assets being depreciated      | 4,554,561    | 278,071    | 4,832,632    |
| Less accumulated depreciation               | 1,760,870    | 124,082    | 1,884,952    |
| Total capital assets being depreciated, net | 2,793,691    | 153,989    | 2,947,680    |
| Component units capital assets, net         | \$ 3,376,286 | \$ 174,115 | \$ 3,550,401 |

## Note 9 - Long-term General Obligation Bonds

Bond indebtedness incurred by the State must be authorized by legislation governing the specific programs or projects to be financed. Such legislation provides the state bond commission authority to approve and authorize the sale and issuance of bonds. The state bond commission is comprised of the Governor as chairman, the State Attorney General as secretary, and the State Treasurer.

General obligation bonds are issued to provide funds for capital improvements which include repairing, renovating, or constructing state owned facilities, to provide loans and grants to local governments and other entities for economic development and capital improvements, and to provide grants to community colleges and universities for capital improvements. General obligation refunding bonds are issued to currently refund or advance refund certain outstanding bonds for both capital and non-capital related purposes, the majority of which are non-capital related. Certain general obligation refunding bonds issued by the State as of June 30, 2014 pay interest at variable rates. The remaining general obligation debt has fixed rates of interest.

The *Tax Reform Act of 1986* requires governmental entities issuing tax-exempt bonds to refund to the U. S. Treasury interest earnings on bond proceeds in excess of the yield on those bonds. The State must comply with arbitrage rebate requirements in order for their bonds to maintain tax-exempt status. As of June 30, 2014, no arbitrage rebate liability existed.

General obligation bonds are backed by the full faith, credit and taxing power of the state. Although certain general obligation debt is being retired from the resources of the business-type activities and is, therefore, recorded in those funds, the State remains contingently liable for its payment.

### Defeased Bonds

In prior years, the State defeased certain outstanding general obligation bonds of the primary government by depositing the proceeds in irrevocable trusts to be used solely for satisfying all future scheduled principal and interest payments on the refunded debt. Accordingly, for financial reporting purposes, the defeased bonds and related trust accounts are not included in the financial statements. At June 30, 2014, \$242,625,000 of outstanding general obligation bonds are considered defeased.

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At June 30, 2014, the primary government's outstanding general obligation bonds as presented in governmental activities and business-type activities are (amounts expressed in thousands):

| Purpose   | Outstanding<br>Amount | Interest<br>Rates | Maturity<br>Date | Original<br>Amount  |
|---|-----------------------|-------------------|------------------|---------------------|
| <b>Governmental Activities:</b>                         |                       |                   |                  |                     |
| Land, Water, and Timber Resources                       | \$ 1,230              | 4.4%              | Nov. 2014        | \$ 10,000           |
| Local Governments Rail Program                          | 370                   | 4.4%              | Nov. 2014        | 3,000               |
| Milk Producers  | 1,625                 | 4.93% - 5.17%     | Dec. 2017        | 3,500               |
| Technology Alliance                                     | 745                   | 5% - 5.25%        | Oct. 2023        | 1,000               |
| Farish Street Historic District                         | 832                   | 1.75% - 5.25%     | Nov. 2023        | 1,500               |
| Heritage, History, and Culture Tourism                  | 655                   | 1.75% - 4.35%     | Nov. 2023        | 700                 |
| Small Business and Existing Forestry Industry           | 4,685                 | 1.75% - 4.35%     | Nov. 2023        | 5,000               |
| State Railroad Revitalization                           | 940                   | 1.75% - 4.35%     | Nov. 2023        | 1,000               |
| Sustainable Energy                                      | 910                   | .70% - 4.35%      | Nov. 2023        | 1,000               |
| Local Governments Capital Improvements                  | 8,270                 | .79% - 5.25%      | Dec. 2025        | 15,500              |
| Raspet Flight Research Laboratory                       | 113                   | 1.63% - 5%        | Dec. 2025        | 1,200               |
| State Shipyard Improvements                             | 49,310                | 4.36% - 5.4%      | Dec. 2025        | 116,000             |
| Stennis Space Center                                    | 4,561                 | 4.93% - 5.25%     | Dec. 2025        | 11,870              |
| Hinds County Development Project Loans                  | 20,000                | .31% - 4.17%      | Dec. 2026        | 20,000              |
| Job Protection  | 3,200                 | .31% - 5.25%      | Dec. 2026        | 8,000               |
| Railroad Lines and Bridges Improvement                  | 4,561                 | .31% - 5.25%      | Dec. 2026        | 5,000               |
| Workforce Training                                      | 4,640                 | .31% - 4.35%      | Dec. 2026        | 5,000               |
| Industry Incentive Financing                            | 336,605               | .31% - 4.35%      | Oct. 2027        | 343,010             |
| Small Enterprise Development Finance                    | 12,795                | 3.63% - 6.5%      | July 2028        | 78,085              |
| ACE Fund  | 38,145                | .70% - 5.54%      | Oct. 2029        | 47,450              |
| Existing Industry                                       | 41,274                | .70% - 5.54%      | Oct. 2029        | 46,500              |
| Rural Impact  | 8,162                 | .31% - 5.54%      | Oct. 2029        | 16,200              |
| Statewide Wireless Communication System                 | 41,192                | 1.8% - 5.54%      | Oct. 2029        | 47,000              |
| Major Economic Impact                                   | 207,250               | .31% - 6.09%      | Dec. 2033        | 259,300             |
| Port Improvements                                       | 10,000                | 5%                | Dec. 2033        | 10,000              |
| Rail Authority of East Mississippi                      | 1,000                 | 5%                | Dec. 2033        | 1,000               |
| Farm Reform   | 3,113                 | .79% - 5.67%      | Oct. 2034        | 5,000               |
| Small Municipalities and Limited<br>Population Counties | 19,550                | .31% - 5.67%      | Oct. 2034        | 30,750              |
| Business Investment                                     | 22,010                | .31% - 5.25%      | Nov. 2034        | 38,400              |
| Economic Development Highway                            | 164,280               | .31% - 5.54%      | Nov. 2034        | 195,000             |
| Capital Improvements                                    | 1,106,481             | .31% - 5.67%      | Oct. 2036        | 1,445,860           |
| General Obligation Refunding Bonds *                    | 1,709,681             | .78% - 7.15%      | Oct. 2036        | 2,368,432           |
| Local Governments Water System Improvement              | 10,682                | .31% - 5.25%      | Oct. 2036        | 14,843              |
| Local System Bridge Replacement and<br>Rehabilitation   | 93,735                | 1.63% - 5.25%     | Oct. 2036        | 127,200             |
| Rural Fire Truck Acquisition                            | 10,335                | 1.63% - 5.67%     | Oct. 2036        | 17,250              |
| Transportation  | 192,335               | 1.63% - 5.45%     | Oct. 2036        | 193,900             |
| Total   | 4,135,272             |                   |                  | 5,494,450           |
| Premiums  | 162,371               |                   |                  | -                   |
| Total Governmental Activities                           | 4,297,643             |                   |                  | 5,494,450           |
| <b>Business-type Activities:</b>                        |                       |                   |                  |                     |
| General Obligation Refunding Bonds                      | 15,503                | 3.81% - 5.5%      | Nov. 2022        | 27,367              |
| Total General Obligation Bonds                          | <u>\$ 4,313,146</u>   |                   |                  | <u>\$ 5,521,817</u> |

\* Interest rate swap agreements have been entered into in connection with \$74,025,000 of outstanding variable rate general obligation refunding bonds where the state pays the counterparty fixed rate payments ranging from 3.98% to 4.037% and receives variable rate payments computed based on the SIFMA swap index. Additionally, interest rate swap agreements have been entered into in connection with \$100,000,000 of outstanding variable rate general obligation refunding bonds where the state pays the counterparties fixed rate payments ranging from 5.248% to 5.708% and receives variable rate payments computed based on one-month LIBOR. The remaining outstanding general obligation bonds have fixed rates of interest.

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At June 30, 2014, future general obligation debt service requirements for the primary government are (amounts expressed in thousands):

| Year Ending June 30     | Governmental Activities |              | Business-type Activities |          |
|-------------------------|-------------------------|--------------|--------------------------|----------|
|                         | Principal               | Interest     | Principal                | Interest |
| 2015                    | \$ 258,687              | \$ 184,839   | \$ 2,833                 | \$ 622   |
| 2016                    | 280,296                 | 173,030      | 2,974                    | 505      |
| 2017                    | 290,118                 | 160,839      | 3,022                    | 379      |
| 2018                    | 402,823                 | 143,509      | 3,127                    | 241      |
| 2019                    | 232,927                 | 131,402      | 3,238                    | 92       |
| 2020 - 2024             | 944,306                 | 530,022      | 309                      | 25       |
| 2025 - 2029             | 770,025                 | 338,865      |                          |          |
| 2030 - 2034             | 704,915                 | 159,487      |                          |          |
| 2035 - 2039             | 251,175                 | 15,311       |                          |          |
| Total                   | 4,135,272               | 1,837,304    | 15,503                   | 1,864    |
| Premiums                | 162,371                 |              |                          |          |
| Total Debt Service, Net | \$ 4,297,643            | \$ 1,837,304 | \$ 15,503                | \$ 1,864 |

## Derivative Instruments

The State entered into interest rate swap agreements in connection with \$174,025,000 of outstanding variable rate debt in order to hedge changes in cash flows.

At June 30, 2014, the State had the following pay-fixed interest rate swap derivative instruments reported in governmental activities, all of which had the objective of hedging the interest rate risk of the variable rate bonds.

| Associated Bonds | Notional Amount | Effective Date | Final Maturity Date | Terms                                | Counterparty Credit Rating |
|------------------|-----------------|----------------|---------------------|--------------------------------------|----------------------------|
| 2012C            | \$ 50,000,000   | Aug. 2012      | Nov. 2017           | Pay 5.708%; receive one-month LIBOR  | A/A2/A                     |
| 2012C            | 50,000,000      | Aug. 2012      | Nov. 2017           | Pay 5.248%; receive one-month LIBOR  | AA-/Aa2/AA-                |
| 2012D            | 39,115,000      | Aug. 2012      | Sept. 2017          | Pay 3.980%; receive SIFMA swap index | A-/Baa2/A                  |
| 2012D            | 34,910,000      | Aug. 2012      | Sept. 2017          | Pay 4.037%; receive SIFMA swap index | A-/Baa2/A                  |

The swaps associated with the 2012C and 2012D variable rate bonds had an effectiveness determined using regression analysis on variable interest rate bonds. The variability of the cash flows of the bond coupons is affected by more than changes in the benchmark interest rate. For example, changes in the credit quality of the State's bonds would affect its interest rates. The State's specific objective, however, is to offset changes in the cash flows of the bond coupons attributable to changes in the benchmark interest rate (a cash flow hedge). The relevant benchmark interest rate indexes for the 2012C and 2012D variable rate bonds are LIBOR and SIFMA, respectively. For the 2012C and 2012D bonds, the swaps that the State entered into do not meet the criteria for the consistent critical terms method. Because the swaps are a hedge of interest rate risk as opposed to the risk of changes in overall cash flows associated with the bond coupons, the State is precluded from using the synthetic instrument method to evaluate effectiveness. Unable to apply either the consistent critical terms method or the synthetic instrument method, the State has chosen to apply the regression analysis method for financial reporting purposes as well as tax compliance purposes.

The regression analysis method evaluates effectiveness by considering the statistical relationship between the cash flows or fair values of the potential hedging derivative instrument and the hedgeable items. The changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item if all of the following criteria are met;

The R-squared of the regression analysis is at least 0.80

The F-statistic calculated for the regression model demonstrates that the model is significant using a 95 percent confidence interval.

The regression coefficient for the slope is between -1.25 and -.80.

Data was used from November and December 2011 through June 30, 2014, to determine if the potential hedging derivative instruments were effective as of June 30, 2014. The use of the regression analysis method requires appropriate interpretation and understanding of the statistical inferences.

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The resulting calculation shows that using over 30 observations, the resulting adjusted R-square is .99, the F-statistic is zero and the regression coefficients for the slopes are between -1.003 and -.995. Based on these parameters required to apply hedge accounting, the 2012C and 2012D hedges are deemed highly effective.

The hedging derivative instruments are considered hybrid instruments since the derivatives were “off-market” at the time of association with the 2012C and 2012D bonds. Additionally, as a result of the refunding, the resulting maturity date was revised to November 1, 2017 and September 1, 2017, for the 2012C and 2012D bonds, respectively. Therefore, the portion of each hedging derivative instruments value attributable to payment dates beyond the maturity date will be accounted for as an investment derivative, since there is no hedgeable item beyond that date.

**Fair Value** - Fair values for the swap transactions were estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero – coupon bonds due on the date of each future net settlement on the swap.

The fair value balances at June 30, 2014 and the changes in fair value of pay fixed receive-variable interest rate swaps reported in governmental activities are:

| Associated<br>Bonds | Notional<br>Amount | Changes in Fair Value          |              | Fair Value at June 30, 2014 |                 |
|---------------------|--------------------|--------------------------------|--------------|-----------------------------|-----------------|
|                     |                    | Classification                 | Amount       | Classification              | Amount          |
| 2012C               | \$ 50,000,000      | Interest expense               | \$ 4,628,000 | Borrowing                   | \$ (8,049,000)  |
|                     |                    | Deferred outflows of resources | (8,424,000)  | At-market derivative        | 324,000         |
|                     |                    | Investment revenue             | 3,350,000    | Investment derivative       | (8,753,000)     |
| 2012C               | 50,000,000         | Interest expense               | 3,828,000    | Borrowing                   | (6,606,000)     |
|                     |                    | Deferred outflows of resources | (7,201,000)  | At-market derivative        | (334,000)       |
|                     |                    | Investment revenue             | 3,260,000    | Investment derivative       | (5,578,000)     |
| 2012D               | 39,115,000         | Interest expense               | 2,359,000    | Borrowing                   | (3,696,000)     |
|                     |                    | Deferred outflows of resources | (2,437,000)  | At-market derivative        | (6,000)         |
|                     |                    | Investment revenue             | 517,000      | Investment derivative       | (1,698,000)     |
| 2012D               | 34,910,000         | Interest expense               | 2,576,000    | Borrowing                   | (3,278,000)     |
|                     |                    | Deferred outflows of resources | (3,070,000)  | At-market derivative        | (4,000)         |
|                     |                    | Investment revenue             | 820,000      | Investment derivative       | (1,361,000)     |
|                     | \$ 174,025,000     |                                | \$ 206,000   |                             | \$ (39,039,000) |

**Hedged Debt and Derivative Instrument Payments** - The interest and net swap payments shown assume that interest rates at year end will remain unchanged for the term of the bonds and the hedges. As interest rates vary, interest payments on the variable rate bonds and the net swap payments will change. The future minimum debt service on long-term general obligation debt reported for the primary government is presented at the end of this note. At June 30, 2014, future debt service requirements on the hedged variable rate bonds and net payments on associated hedging derivative instruments are (amounts expressed in thousands):

| Year Ending June 30 | Principal  | Interest | Net Swap<br>Payment | Total      |
|---------------------|------------|----------|---------------------|------------|
| 2015                | \$ 4,375   | \$ 1,273 | \$ 8,101            | \$ 13,749  |
| 2016                | 4,550      | 1,246    | 7,923               | 13,719     |
| 2017                | 4,755      | 1,219    | 7,737               | 13,711     |
| 2018                | 161,255    | 349      | 2,198               | 163,802    |
|                     | \$ 174,935 | \$ 4,087 | \$ 25,959           | \$ 204,981 |

**Interest Rate Risk** - Although the interest rates on the bonds are synthetically fixed under the swap agreements, interest payments on the variable rate bonds and the net payments under the swap agreements will vary as interest rates change.

**Credit Risk** - The swap agreements and Section 31-18-11, Mississippi Code Ann. (1972), require that the counterparties have credit ratings by at least one nationally recognized statistical rating agency that are within the two highest investment grade categories, and credit ratings by all other nationally recognized statistical rating agencies that are within the three highest grade categories, otherwise the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings. Section 31-18-11, Mississippi Code Ann. (1972), also requires that should the credit rating of the counterparty or of the entity unconditionally guaranteeing the counterparty's obligations fall below the required rating, that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by the United States of America, with a net market value of at least 102% of the net market value of the

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swap agreements and shall be deposited as directed by the State. Additionally, Section 31-18-11, Mississippi Code Ann. (1972), requires that the counterparty, or the entity guaranteeing the counterparty's obligations, have a net worth of at least \$100,000,000. The State is not exposed to credit risk at June 30, 2014, as all hedging and investment derivative instruments are in a liability position.

*Basis Risk* - The swap agreements expose the State to basis risk because the applicable interest rates under the swap agreements are based on LIBOR and SIFMA swap indexes, which may differ from the interest rates for the State's variable rate bonds. As of June 30, 2014, the weighted average variable interest rate paid on the bonds was .74239%, while the SIFMA swap index was .06% and one-month LIBOR was .15520%.

*Termination Risk* - The swap agreements are documented by using the International Swap Dealers Association Master Agreement which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes additional termination events providing that the swap agreements may be terminated if either the State's or the counterparty's credit rating falls below certain levels. The State or the counterparties may terminate the swap agreements if the other party fails to perform under the terms of the contract. If one or more of the swap agreements are terminated, the State would no longer have a synthetic fixed rate with respect to the previously hedged bonds and would be exposed to these bonds' variable interest rates. Also, if at the time of termination the swap agreements have a negative fair value, the State would incur a loss and would be required to pay the swap agreements' fair value to the counterparty. If the swap agreements have a positive fair value at the time of termination, the State would realize a gain and would receive the swap agreements' fair value from the counterparty.

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## Note 10 - Bonds Authorized But Unissued

At June 30, 2014, authorized but unissued bond indebtedness existed to be used for various purposes as summarized below (amounts expressed in thousands):

| Purpose  | Authorized          | Authorized But Unissued |
|--|---------------------|-------------------------|
| <b>General Obligation Bonds:</b>                             |                     |                         |
| ACE Fund   | \$ 57,450           | \$ 10,000               |
| Business Investment Act                                      | 341,500             | 47,823                  |
| Capital Improvements   | 566,050             | 102,856                 |
| Deer Island Project  | 10,000              | 1,200                   |
| Economic Development Highway                                 | 364,500             | 75,600                  |
| Energy Infrastructure Revolving Loan                         | 5,000               | 5,000                   |
| Farm Reform  | 128,000             | 20,000                  |
| Job Protection   | 15,000              | 1,000                   |
| Industry Incentive Financing                                 | 468,000             | 124,990                 |
| Local Governments Capital Improvements                       | 128,000             | 12,500                  |
| Major Economic Impact  | 1,142,800           | 65,110                  |
| North Central Mississippi Regional Railroad Grant            | 15,000              | 15,000                  |
| Railroad Revitalization and Stimulus                         | 3,000               | 2,000                   |
| Rural Fire Truck Acquisition                                 | 17,850              | 600                     |
| Small Business and Existing Forestry Industry Revolving Loan | 30,000              | 25,000                  |
| Small Enterprise Development Finance                         | 140,000             | 127,205                 |
| Sustainable Energy Research                                  | 2,000               | 1,000                   |
| Technology Alliance  | 4,000               | 2,000                   |
| Transportation - Access Roads                                | 4,000               | 4,000                   |
| Workforce Training   | 8,000               | 3,000                   |
|  | <u>\$ 3,450,150</u> | <u>\$ 645,884</u>       |

## Note 11 - Revenue Bonds and Notes

Revenue bonds and notes are backed by a pledge of resources derived from users of the related facilities and are not supported by the full faith and credit of the State.

At June 30, 2014, outstanding revenue bonds and notes are (amounts expressed in thousands):

| Purpose                | Outstanding Amount  | Interest Rates | Final Maturity Date | Original Amount     |
|------------------------|---------------------|----------------|---------------------|---------------------|
| <b>Component Units</b> |                     |                |                     |                     |
| Universities:          |                     |                |                     |                     |
| Bonds                  | \$ 1,002,490        | .29% - 6.84%   | Sept. 2043          | \$ 1,227,333        |
| Notes                  | 17,154              | 1.29% - 5.13%  | Sept. 2039          | 21,902              |
| Total Component Units  | <u>\$ 1,019,644</u> |                |                     | <u>\$ 1,249,235</u> |

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At June 30, 2014, future revenue bond and note debt service requirements are (amounts expressed in thousands):

| Year Ending June 30 | Component Units     |                   |
|---------------------|---------------------|-------------------|
|                     | Principal           | Interest          |
| 2015                | \$ 30,605           | \$ 45,378         |
| 2016                | 32,230              | 45,317            |
| 2017                | 33,928              | 44,015            |
| 2018                | 32,033              | 42,771            |
| 2019                | 33,723              | 42,288            |
| 2020 - 2024         | 177,575             | 185,515           |
| 2025 - 2029         | 191,137             | 143,944           |
| 2030 - 2034         | 218,601             | 93,448            |
| 2035 - 2039         | 173,461             | 43,203            |
| 2040 - 2044         | 96,351              | 7,149             |
|                     | <u>\$ 1,019,644</u> | <u>\$ 693,028</u> |

## Note 12 - Other Long-term Liabilities

**A. Compensated Absences** - The State's liability for compensated absences at June 30, 2014 is \$119,229,000 for governmental activities and \$713,000 for business-type activities. Internal service compensated absences of \$1,284,000 are included in governmental activities. The component units' liability for compensated absences is \$116,517,000, of which \$115,768,000 is for the Universities. The reported liability includes related fringe benefits and excludes any obligations related to leave accumulations in excess of 30 days per employee (see Note 1-N).

**B. Pollution Remediation Obligation** - As of June 30, 2014, six Superfund sites in the State are in various stages of cleanup ranging from initial assessment of contamination to cleanup of chemical spills. Numerous leaking underground storage tank sites exist where motor fuels contaminate soil and groundwater, and present inhalation and explosive hazards. Under federal and state law, the State is legally obligated to remedy the detrimental effects of existing pollution through site investigation and assessment, restoration and replacement, cleanup, and monitoring.

At June 30, 2014, the primary government's pollution remediation obligation is \$41,857,000. This estimate is based on professional judgment, experience, historical cost data, and the use of the expected cash flow technique. Recoveries from other responsible parties, which would reduce the State's remediation liability, are not anticipated. Remediation obligation estimates may change over time. Estimated costs will vary due to changes in technology, fluctuation in prices, changes in potential responsible parties, and changes in regulations.

**C. Notes Payable** - At June 30, 2014, the primary government's outstanding notes payable as presented in governmental activities are (amounts expressed in thousands):

| Purpose                  | Outstanding Amount  | Interest Rates | Final Maturity Date | Original Amount     |
|--------------------------|---------------------|----------------|---------------------|---------------------|
| Utility restoration      | \$ 108,384          | 5% - 5.45%     | Jul. 2019           | \$ 189,860          |
| Energy efficiency        | 13,777              | 3.08% - 5.73%  | Apr. 2026           | 17,131              |
| Buildings                | 218,335             | 2% - 5.37%     | Jul. 2031           | 228,985             |
| Roads and bridges        | 666,143             | 2% - 6.59%     | Jan. 2040           | 989,581             |
| Total                    | <u>1,006,639</u>    |                |                     | <u>1,425,557</u>    |
| Premiums                 | 72,328              |                |                     |                     |
| Total Notes Payable, Net | <u>\$ 1,078,967</u> |                |                     | <u>\$ 1,425,557</u> |

**Defeased Notes** - In prior years, the State defeased certain outstanding notes of the primary government by depositing the proceeds in irrevocable trusts to be used solely for satisfying all future scheduled principal and interest payments on the refunded debt. Accordingly, for financial reporting purposes, the defeased notes and related trust accounts are not included in the financial statements. At June 30, 2014, \$227,910,000 of outstanding notes are considered defeased.

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At June 30, 2014, future debt service requirements for notes payable as presented in governmental activities are (amounts expressed in thousands):

| Year Ending June 30     | Principal           | Interest          |
|-------------------------|---------------------|-------------------|
| 2015                    | \$ 46,711           | \$ 51,138         |
| 2016                    | 53,710              | 48,816            |
| 2017                    | 61,831              | 46,172            |
| 2018                    | 64,363              | 43,370            |
| 2019                    | 64,739              | 40,224            |
| 2020-2024               | 276,169             | 160,094           |
| 2025-2029               | 252,026             | 91,089            |
| 2030-2034               | 107,715             | 45,166            |
| 2035-2039               | 67,385              | 15,175            |
| 2040-2044               | 11,990              | 769               |
| Total                   | 1,006,639           | 542,013           |
| Premiums                | 72,328              |                   |
| Total Debt Service, Net | <u>\$ 1,078,967</u> | <u>\$ 542,013</u> |

- D. Capital Lease Commitments** - The State leases property with varying terms and options. Most leases contain a fiscal funding addendum stating that the lease shall terminate on the last day of the fiscal year if appropriated funds for the ensuing fiscal year are insufficient. However, if renewal is reasonably assured, leases requiring appropriation by the State Legislature are considered non-cancellable leases for financial reporting purposes.

At June 30, 2014, assets recorded under capital leases are as follows (amounts expressed in thousands):

|                          | Governmental<br>Activities | Business-type<br>Activities |
|--------------------------|----------------------------|-----------------------------|
| Land                     | \$ 700                     | \$ 700                      |
| Machinery and Equipment  | 42,134                     | 1,493                       |
| Accumulated Depreciation | (22,936)                   | (653)                       |
| Total                    | <u>\$ 19,198</u>           | <u>\$ 1,540</u>             |

Internal service funds predominately serve the governmental funds. Accordingly, internal service capital assets recorded under capital leases of \$463,000 are included in the governmental activities column. The discretely presented component units recorded capital assets acquired through capital leases of \$31,528,000.

At June 30, 2014, future minimum commitments under capital leases are (amounts expressed in thousands):

| Year Ending June 30                     | Governmental<br>Activities | Business-Type<br>Activities | Total Primary<br>Government | Component<br>Units |
|---|----------------------------|-----------------------------|-----------------------------|--------------------|
| 2015                                    | \$ 7,291                   | \$ 83                       | \$ 7,374                    | \$ 2,420           |
| 2016                                    | 6,525                      | 83                          | 6,608                       | 3,035              |
| 2017                                    | 4,945                      | 83                          | 5,028                       | 3,479              |
| 2018                                    | 2,804                      | 83                          | 2,887                       | 3,563              |
| 2019                                    | 1,540                      | 43                          | 1,583                       | 10,946             |
| 2020-2024                               | 1,340                      |                             | 1,340                       | 5,403              |
| 2025-2029                               |                            |                             |                             | 5,395              |
| 2030-2034                               |                            |                             |                             | 6,097              |
| 2035-2039                               |                            |                             |                             | 4,699              |
| Total Minimum Lease Payments            | 24,445                     | 375                         | 24,820                      | 45,037             |
| Less Interest                           | 1,670                      | 31                          | 1,701                       | 12,167             |
| Present Value of Minimum Lease Payments | <u>\$ 22,775</u>           | <u>\$ 344</u>               | <u>\$ 23,119</u>            | <u>\$ 32,870</u>   |

Internal service future minimum lease payments of \$988,000 less interest of \$47,000 are included in the governmental activities column.



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## Note 13 - Changes in Long-term Liabilities

Changes in the primary government's long-term liabilities for the year ended June 30, 2014 are summarized below (amounts expressed in thousands):

|  | Beginning<br>Balance | Additions         | Reductions        | Ending<br>Balance   | Due Within<br>One Year |
|--|----------------------|-------------------|-------------------|---------------------|------------------------|
| <b>Governmental Activities:</b>            |                      |                   |                   |                     |                        |
| General Obligation Bonds (Note 9)          | \$ 4,045,596         | \$ 339,165        | \$ 249,489        | \$ 4,135,272        | \$ 258,687             |
| Premiums/Discounts (Note 9)                | 161,642              | 15,838            | 15,109            | 162,371             | 15,442                 |
| Notes Payable (Note 12)                    | 1,061,142            | 9,612             | 64,115            | 1,006,639           | 46,711                 |
| Premiums (Note 12)                         | 78,868               |                   | 6,540             | 72,328              | 6,322                  |
| Total Bonds and Notes                      | 5,347,248            | 364,615           | 335,253           | 5,376,610           | 327,162                |
| Derivative Instruments (Note 9)            | 39,245               |                   | 206               | 39,039              |                        |
| Capital Lease Obligations (Note 12)        | 13,158               | 16,107            | 6,490             | 22,775              | 6,649                  |
| Accrued Compensated Absences (Note 12)     | 126,480              | 59,822            | 67,073            | 119,229             | 8,891                  |
| Pollution Remediation Obligation (Note 12) | 41,648               | 13,198            | 12,989            | 41,857              | 7,080                  |
|  | <u>\$ 5,567,779</u>  | <u>\$ 453,742</u> | <u>\$ 422,011</u> | <u>\$ 5,599,510</u> | <u>\$ 349,782</u>      |
| <b>Business-type Activities:</b>           |                      |                   |                   |                     |                        |
| General Obligation Bonds (Note 9)          | \$ 18,210            | \$                | \$ 2,707          | \$ 15,503           | \$ 2,833               |
| Capital Lease Obligations (Note 12)        | 131                  | 378               | 165               | 344                 | 72                     |
| Accrued Compensated Absences (Note 12)     | 663                  | 221               | 171               | 713                 | 47                     |
|  | <u>\$ 19,004</u>     | <u>\$ 599</u>     | <u>\$ 3,043</u>   | <u>\$ 16,560</u>    | <u>\$ 2,952</u>        |

Internal service funds predominantly serve the governmental funds. Therefore, long-term liabilities for internal service funds are included in the governmental activities totals. The beginning and ending balances of governmental activities capital lease obligations include \$1,237,000 and \$941,000, respectively, of internal service funds. The beginning and ending balances of governmental activities accrued compensated absences include \$1,279,000 and \$1,284,000, respectively, of internal service funds. Also, for the governmental activities, accrued compensated absences are generally paid out of the general fund.

The current portion of accrued compensated absences is reported in accounts payable and other liabilities and the long-term portion is included in noncurrent other liabilities.

## Note 14 – Short-term Financing

**Credit Agreements** - The Division of Medicaid, which is reported within the General Fund, is authorized to obtain a line of credit up to \$150,000,000 from any special source funds in the state treasury or commercial lenders to cover temporary cash flow shortfalls in providing health care services. This line of credit is secured by the first available funds received by the Division of Medicaid and is to be repaid by the end of the quarter following the loan origination. Changes in the line of credit activity during fiscal year 2014 are as follows (amounts expressed in thousands):

|                         | Beginning<br>Balance | Additions | Reductions | Ending<br>Balance |
|-------------------------|----------------------|-----------|------------|-------------------|
| Medicaid Line of Credit | \$ 0                 | \$ 30,000 | \$ 0       | \$ 30,000         |

# Mississippi

## Note 15 - Retirement Plans

### Plan Description

In accordance with state statutes, Public Employees' Retirement System (PERS) Board of Trustees (System) administers four defined benefit plans. The defined benefit plans are the PERS, a cost-sharing multiple-employer public employee retirement system established in 1952, Mississippi Highway Safety Patrol Retirement System (MHSPRS), a single-employer public employee retirement system established in 1958, the Municipal Retirement Systems (MRS), which are agent multiple-employer defined benefit public employee retirement systems composed of 19 separate municipal retirement and fire and police disability and relief systems, and Supplemental Legislative Retirement Plan (SLRP), a single-employer public employee retirement system established in fiscal year 1990.

PERS, MHSPRS, MRS and SLRP are considered part of the State of Mississippi's financial reporting entity and are included in the accompanying financial statements as pension trust funds. The purpose of these plans is to provide pension benefits for all state employees, sworn officers of the state highway patrol, other public employees whose employers have elected to participate, and elected members of the State Legislature and the president of the Senate. The System issues a Comprehensive Annual Financial Report, which includes PERS, MHSPRS, MRS and SLRP, that is available from Public Employees' Retirement System of Mississippi.

### Membership and Benefit Provisions

**Public Employees' Retirement System:** Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by the political subdivisions and instrumentalities of the State, membership is contingent upon approval of the entity's participation in PERS by the System's Board of Trustees. If approved, membership for these employees is a condition of employment and eligibility is granted to those who qualify upon hiring. A member who terminates employment from all covered employers and who is not eligible to receive monthly retirement benefits may request a refund of his or her accumulated member contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions.

Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2 percent of their average compensation for each year of credited service up to and including 30 years (25 years for those who became members before July 1, 2011) plus 2.5 percent for each additional year of credited service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of credited service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. Benefit provisions are established by Section 25-11-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A Cost-of-Living Adjustment (COLA) is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2014, the total annual COLA payments for PERS were \$476,401,043.

**Mississippi Highway Safety Patrol Retirement System:** Membership in MHSPRS is a condition of employment granted upon hiring for all officers of the Mississippi Highway Safety Patrol who have completed a course of instruction in an authorized highway patrol training school on general law enforcement and who serve as sworn officers of the highway patrol in the enforcement of the laws of the State. Participating members who withdraw from service at or after age 55 with at least five years of membership service, or after reaching age 45 with at least 20 years of credited service, or with 25 years of service at any age, are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.5 percent of average compensation during the four highest consecutive years of earnings, reduced 3 percent for each year below age 55 or 3 percent for each year under 25 years of service, whichever is less. MHSPRS also provides certain death and disability benefits. A member who terminates employment from the highway patrol and who is not eligible to receive monthly retirement benefits may request a refund of his or her accumulated employee contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Benefit provisions for MHSPRS are established by Section 25-13-1 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

A COLA payment is made to eligible retirees and beneficiaries. The COLA is equal to 3 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60, with 3 percent compounded for each fiscal year thereafter. For the year ended June 30, 2014, the total annual COLA payments for MHSPRS were \$8,029,954.

# Mississippi

**Municipal Retirement Systems:** Membership in the two general Municipal Retirement Systems and the 17 Fire and Police Disability and Relief Systems was granted to all municipal employees, fire fighters, and police officers who were not already members of PERS and who were hired prior to July 1, 1976. Two fire and police plans elected to extend the eligibility period for membership to July 1, 1987. Eligible employees hired after these periods automatically become members of PERS. The Municipal Retirement Systems were all closed to new members by July 1, 1987.

Regardless of age, participating employees who retire with at least 20 years of membership service are entitled to an annual retirement allowance payable monthly for life in an amount equal to 50 percent of their average monthly compensation and an additional 1.7 percent for each year of credited service beyond 20 years, not to exceed 66.67 percent of average monthly compensation, except as may otherwise be provided through local and private legislation. Average monthly compensation for the two Municipal Retirement Systems and the 17 Fire and Police Disability and Relief Systems is the monthly average for the last six months of service. Certain participating employers provide a minimum monthly retirement allowance. Benefits vest upon reaching 20 years of credited service. MRS plans also provide certain death and disability benefits. Members who terminate employment from all covered employers and are not eligible to receive monthly retirement benefits may request a full refund of employee contributions. Members covered by MRS do not receive interest on their accumulated contributions. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Benefit provisions are established by Sections 21-29-1 et seq., Articles 1, 3, 5 and 7, Mississippi Code Ann. (1972) and annual local and private legislation. Statutes may be amended only by the State Legislature.

The retirees and beneficiaries of MRS plans with provisions for COLAs, who are receiving a retirement allowance on July 1 of each fiscal year, may be entitled to a COLA. This payment is equal to the annual percentage change of the Consumer Price Index (CPI) but not to exceed 2.5 percent of the annual retirement allowance for each full fiscal year of retirement. Certain MRS plans may adopt a COLA other than one linked to the change in the CPI. These additional payments will be made only when funded by the employers. For the year ended June 30, 2014, the total COLAs for MRS plans were \$5,406,759.

**Supplemental Legislative Retirement Plan:** Membership in SLRP is composed of all elected members of the State Legislature and the president of the Senate. This plan is designed to supplement the provisions of PERS. Those serving when SLRP became effective July 1, 1989, had 30 days to waive membership. Those elected after July 1, 1989, automatically become members. Members and employers are statutorily required to contribute certain percentages of salaries and wages as specified by the Board of Trustees.

The retirement allowance is 50 percent of an amount equal to the retirement allowance payable by PERS, determined by credited service as an elected senator or representative in the State Legislature or as president of the Senate. Benefits vest upon completion of the requisite number of membership service years in PERS. SLRP also provides certain death and disability benefits. A member who terminates legislative employment and who is not eligible to receive monthly retirement benefits may request a refund of his or her accumulated employee contributions plus interest. Upon withdrawal of contributions, a member forfeits service credit represented by those contributions. Benefit provisions for SLRP are established by Section 25-11-301 et seq., Mississippi Code Ann. (1972) and may be amended only by the State Legislature.

Retirees and beneficiaries of SLRP may receive COLAs calculated identically to PERS retirees and beneficiaries. For the year ended June 30, 2014, the total COLAs for SLRP were \$242,440.

## **Actuarial Asset Valuation**

By statute, actuarial valuations of PERS, MHSPRS and SLRP must be performed at least once in each two-year period as of June 30, with the most recent being June 30, 2014. An actuarial valuation of MRS is required to be performed at least once in each four-year period. Due to the change in plan year, the actuarial valuation for MRS is now performed as of June 30, with the most recent being June 30, 2014. All plans presently have actuarial valuations performed annually. Each valuation may be affected by changes in actuarial assumptions and changes in benefit provisions since the preceding valuation.

# Mississippi

## Funding Policy and Annual Pension Costs

Contribution provisions for PERS, MHSPRS and SLRP are established by state statute. The adequacy of these rates is assessed annually by actuarial valuation. Contribution provisions for MRS are established by state statute, annual local and private legislation and may be amended only by the State Legislature.

The following table provides information concerning funding and actuarial policies (amounts expressed in thousands):

|  | PERS                      | MHSPRS                    | MRS                       | SLRP                      |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
| Contribution rates:                    |                           |                           |                           |                           |
| State                                  | 15.75% ***                | 37% ***                   | N/A                       | 7.4% ***                  |
| Other employers                        | N/A                       | N/A                       | 1.44 – 6.9 mills          | N/A                       |
| Plan members                           | 9%                        | 7.25%                     | 7% - 10%                  | 3% *                      |
| Annual pension cost                    | \$ 921,872                | \$ 13,595                 | \$ 19,344                 | \$ 519                    |
| Employer contributions made            | \$ 969,674                | \$ 13,500 **              | \$ 20,337                 | \$ 514                    |
| Actuarial valuation date               | June 30, 2014             | June 30, 2014             | June 30, 2014             | June 30, 2014             |
| Actuarial cost method                  | Entry age                 | Entry age                 | Entry age                 | Entry age                 |
| Amortization method                    | Level<br>percent open     | Level<br>percent open     | Level<br>dollar closed    | Level<br>percent open     |
| Remaining amortization period          | 29.2 years                | 30 years                  | 20 years                  | 25 years                  |
| Asset valuation method                 | 5-year<br>smoothed market | 5-year<br>smoothed market | 5-year<br>smoothed market | 5-year<br>smoothed market |
| Actuarial assumptions:                 |                           |                           |                           |                           |
| Investment rate of return              | 8%                        | 8%                        | 8%                        | 8%                        |
| Wage inflation rate                    | 4.25%                     | 4.25%                     | 4.25%                     | 4.25%                     |
| Projected salary increases             | 4.5% - 20%                | 5% - 10.52%               | 4.5% - 6%                 | 4.5%                      |
| Increases in benefits after retirement | 3% ~                      | 3% @                      | 2% - 3.75% #              | 3% ~                      |

\* In addition to 9% required by PERS.

@ Calculated 3% simple interest to age 60, compounded each fiscal year thereafter.

~ Calculated 3% simple interest to age 55, compounded each fiscal year thereafter.

# Varies depending on municipality.

\*\* Includes fees authorized by the State Legislature, which are reported as other additions in the pension trust funds. Due to Senate Bill No. 2659 enacted in 2004, an estimated additional contribution of \$3,600,000 (14 percent of payroll) was used to calculate total required contributions for MHSPRS. The actual amount received in 2014 was \$3,496,000.

\*\*\* In October 2012, the Board adopted a revised funding policy aimed at stabilizing the employer contribution rate and reducing the unfunded actuarial accrued liability. The revised policy established a goal to be 80% funded by 2042 and set the PERS employer rate at 15.75%, the SLRP rate at 7.4%, and MHSPRS rate at 37%.

# Mississippi

## Three-Year Trend Information

The following table provides the employer contribution to PERS, MHSPRS, MRS, and SLRP for the last three fiscal years (amounts expressed in thousands):

|                       | PERS       | MHSPRS*   | MRS**     | SLRP   |
|-----------------------|------------|-----------|-----------|--------|
| <b>Contributions:</b> |            |           |           |        |
| 2012                  | \$ 768,914 | \$ 12,044 | \$ 22,793 | \$ 490 |
| 2013                  | 881,847    | 13,366    | 21,718    | 503    |
| 2014                  | 969,674    | 13,500    | 20,337    | 514    |

\* Includes fees authorized by the State Legislature that are reported as other additions in the pension trust funds.

\*\* The 2012 information furnished for MRS is for the period ended September 30. Beginning in 2013, the MRS plan year changed to June 30.

The annual pension cost is equal to the employer contributions made to the Plans, except for MRS. For each year the contributions met the required contributions except for MRS where the percent contributed was 127% of the required contributions for September 30, 2012, and 102.6% and 105.4% of the required contributions for the years ended June 30, 2013, and 2014, respectively.

## Funded Status and Funding Progress

The following table provides funding information for the most recent actuarial valuation dates (amounts expressed in thousands):

|  | PERS          | MHSPRS        | MRS           | SLRP          |
|--|---------------|---------------|---------------|---------------|
| Actuarial Valuation Date                               | June 30, 2014 | June 30, 2014 | June 30, 2014 | June 30, 2014 |
| Actuarial Value of Assets                              | \$ 22,569,940 | \$ 295,298    | \$ 157,970    | \$ 14,899     |
| Actuarial Accrued Liability (AAL) Entry Age            | \$ 37,015,288 | \$ 445,822    | \$ 340,385    | \$ 20,240     |
| Unfunded AAL   | \$ 14,445,348 | \$ 150,524    | \$ 182,415    | \$ 5,341      |
| Percent Funded   | 61.0%         | 66.2%         | 46.4%         | 73.6%         |
| Annual Covered Payroll                                 | \$ 5,834,687  | \$ 25,554     | \$ 727        | \$ 6,918      |
| Unfunded AAL as a Percentage of Annual Covered Payroll | 247.6%        | 589.0%        | 25,091.5%     | 77.2%         |

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

# Mississippi

## Note 16 - Other Postemployment Benefits

### Plan Description

The State and School Employees' Health Insurance Management Board (the Board) administers the State's self-insured medical plan and life insurance program established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). Since retirees may obtain health insurance by participating in a group with active employees and consequently receive a health insurance premium rate differential, the State has a postemployment healthcare benefit reportable under GASB Statement 45 as a single employer defined benefit healthcare plan. Effective July 1, 2007, the State implemented GASB Statement 45 prospectively, which requires reporting on an accrual basis the liability associated with other postemployment benefits. The State does not issue a publicly available financial report for the Plan.

### Funding Policy

Employees' premiums are funded by the state and local school districts with additional funding provided by retired employees and by active employees for spouse and dependent medical coverage. The Plan is financed on a pay-as-you-go basis. The Board has the sole authority for setting health insurance premiums for the State and School Employees' Life and Health Insurance Plan.

Per Section 25-15-15 (10), Mississippi Code Ann. (1972), any retired employee electing to purchase retiree life and health insurance will have the full cost of such insurance premium deducted monthly from his State retirement plan check or direct billed for the cost of the premium if the retirement check is insufficient to pay for the premium. If the board determines actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the state, then the board may impose a premium surcharge, not to exceed fifteen percent, upon such participating retired employees who are under the age for Medicare eligibility and who were initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who were initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determines actuarially to cover the full cost of insurance. For the year ended June 30, 2014, retiree premiums range from \$190 to \$1,472 depending on plan election, dependent coverage, Medicare eligibility, and date of hire.

### Actuarial Valuation

The State and School Employees' Life and Health Insurance Plan's Report of the Actuary on the Other Postemployment Benefits Valuation was prepared as of June 30, 2014. The Plan presently has an actuarial valuation performed annually in order to be in compliance with GASB Statement 45.

### Annual OPEB Cost and Net OPEB Obligation

The State's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC was determined assuming the Plan would fund the OPEB liability on a pay-as-you-go basis. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ARC of \$43,939,000 is 1.00 percent of annual covered payroll.

The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB Plan for fiscal year 2014 (amounts expressed in thousands):

|  |                   |
|--|-------------------|
| Annual required contribution               | \$ 43,939         |
| Interest on prior year net OPEB obligation | 5,634             |
| Adjustment to annual required contribution | (4,320)           |
| Annual OPEB cost                           | 45,253            |
| Contributions made                         | (30,503)          |
| Increase in net OPEB obligation            | 14,750            |
| Net OPEB obligation – Beginning of year    | 125,193           |
| Net OPEB obligation – End of year          | <u>\$ 139,943</u> |

# Mississippi

The following table provides the State's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years as restated (amounts expressed in thousands):

|      | <b>Annual OPEB<br/>Cost</b> | <b>Percentage of Annual<br/>OPEB Cost Contributed</b> | <b>Net OPEB Obligation</b> |
|------|-----------------------------|---|----------------------------|
| 2012 | \$ 46,994                   | 43.8%   | \$ 108,636                 |
| 2013 | 46,047                      | 64.0  | 125,193                    |
| 2014 | 45,253                      | 67.4  | 139,943                    |

## Funded Status and Funding Progress

The following table provides funding information for the most recent actuarial valuation date (amounts expressed in thousands):

|  |               |
|--|---------------|
| Actuarial Valuation Date                           | June 30, 2014 |
| Actuarial Value of Assets                          | \$ 0          |
| Actuarial Accrued Liability (AAL) Entry Age Normal | \$ 762,358    |
| Unfunded AAL (UAAL)                                | \$ 762,358    |
| Funded Ratio                                       | 0.0%          |
| Annual Covered Payroll                             | \$ 4,406,047  |
| UAAL as a Percentage of Annual Covered Payroll     | 17.3%         |

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

## Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

|                               |                            |
|-------------------------------|----------------------------|
| Actuarial valuation date      | June 30, 2014              |
| Actuarial cost method         | Entry age normal           |
| Amortization method           | Level percent of pay, open |
| Remaining amortization period | 30 years                   |
| Asset valuation method        | Market value of assets     |
| Actuarial assumptions:        |                            |
| Investment rate of return*    | 4.5%                       |
| Projected salary increases**  | 4.5% - 15.0%               |
| Healthcare cost trend rate*   | 7.75%                      |
| Ultimate trend rate           | 5.0%                       |
| Year of ultimate trend rate   | 2019                       |
| * Includes price inflation at | 3.5%                       |
| ** Includes wage inflation at | 4.25%                      |

## Note 17 - Commitments

### A. Operating Leases

The State has entered into numerous agreements to lease land and buildings which are classified as operating leases. These agreements generally contain the provision that, at the expiration date of the lease, the State may renew the operating lease on a month-to-month basis. It is expected that in the normal course of business most of these leases will be renewed or replaced by similar leases. Although the lease terms vary, most leases are subject to annual appropriation by the State Legislature to continue the lease obligation. If an appropriation is reasonably assured, leases are considered non-cancellable for financial reporting purposes. Any escalation clauses, sublease rentals, and contingent rents are considered immaterial to the future minimum lease payments and current rental expenditures.

# Mississippi

Operating lease payments are recorded as expenditures or expenses when paid or incurred. Future minimum commitments due under non-cancellable operating leases for land and buildings as of June 30, 2014 are as follows (amounts expressed in thousands):

| <b>Year Ending June 30</b> | <b>Amount</b>     |
|----------------------------|-------------------|
| 2015                       | 22,176            |
| 2016                       | 19,621            |
| 2017                       | 14,633            |
| 2018                       | 10,424            |
| 2019                       | 6,947             |
| 2020 - 2024                | 19,129            |
| 2025 - 2029                | 14,531            |
| 2030 - 2034                | 14,151            |
| 2035 - 2039                | 249               |
| 2040 - 2044                | 168               |
| 2045 - 2049                | 59                |
| Total Minimum Commitments  | <u>\$ 122,088</u> |

Expenditures for rental of land and buildings under operating leases for the year ended June 30, 2014 amounted to \$22,653,000.

## **B. Contracts**

At June 30, 2014, the Department of Transportation had contracts outstanding of approximately \$779,986,000 with performance continuing during fiscal year 2015. Of this amount \$22,314,000 is related to local public agencies, such as planning and development districts, counties and municipalities. These contracts were primarily for construction, repair and maintenance and will be paid through the General Fund. Approximately 57 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific gasoline taxes.

The State Aid Road Division had contracts of \$38,362,000 outstanding at June 30, 2014 for construction, repair and maintenance of state and county roads. These contracts will be paid through the General Fund. Approximately 31 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be funded by specific tax levies.

The Office of Building, Grounds and Real Property Management had outstanding construction, repair and maintenance contracts of \$185,182,000 at June 30, 2014. These contracts will be paid from the General fund.

The Military Department had contracts outstanding of approximately \$1,888,000 at June 30, 2014. 100 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred.

The Port Authority at Gulfport (a major enterprise fund) had contracts outstanding of approximately \$45,124,000 at June 30, 2014. These contracts were primarily for construction costs related to the port. These contracts will be paid from Port Authority at Gulfport's revenues and federal grants.

The Department of Information Technology Services had contracts outstanding of approximately \$37,233,000 at June 30, 2014. These contracts were primarily for the construction of the Mississippi Wireless Information Network (MSWIN) state-wide digital trunked land mobile radio system including enhancements which add broadband data capabilities. Approximately 95 percent of future expenditures related to these commitments are expected to be reimbursed from proceeds of federal grants when the actual costs are incurred. The remaining portion will be paid through the General Fund.

## **C. Encumbrances**

Encumbrances represent executed but unperformed purchase orders that are reported within governmental funds as restricted, committed, or assigned fund balance. At June 30, 2014, the encumbrance amounts in the General Fund were \$8,977,000.



# Mississippi

## Note 18 - Risk Management

The State has elected to finance most exposures to risk through the retention of risk. The exposures to risk retained by the State are health and life benefits, tort liability, unemployment benefits and workers' compensation benefits. The State utilizes the internal service Risk Management Fund to account for these activities with the noted exception in workers' compensation benefits. Estimates of liabilities for incurred but unpaid claims include both reported and unreported insured events. Nonincremental claims adjustment expenses have not been included as part of the liability for claims and judgments due to immateriality. Changes in claim liabilities recorded in governmental activities for fiscal years 2013 and 2014 are as follows (amounts expressed in thousands):

|      | Beginning<br>Balance | Claims and<br>Changes<br>in Estimates | Claims<br>Payments | Ending<br>Balance |
|------|----------------------|---------------------------------------|--------------------|-------------------|
| 2013 | \$ 150,598           | \$ 710,676                            | \$ 713,599         | \$ 147,675        |
| 2014 | 147,675              | 771,904                               | 727,718            | 191,861           |

**Health and Life Benefits:** The State has elected to manage the health benefit through the retention of all exposure. The life benefit is purchased from a commercial insurance company for death benefit distribution under tax law but management of the risk is accomplished by self insuring within an insured shell. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through this plan.

Estimates of the liability for unpaid claims are actuarially determined using the development method. This method uses past observed patterns of time between claim incurral and payment to estimate incurred claims from available claims data. Liabilities are based on the estimated ultimate cost of settling the claims, including inflation and other factors, and provisions for estimated claims adjustment expenses.

**Tort Liability:** The State manages tort claims through the retention of all liability exposure. The State Legislature created the Tort Claims Board to administer these claims beginning in fiscal year 1994. Statutory regulations provide some protection, as well as a limitation of liability, for claims filed against state agencies and state employees. There is some limited purchase of commercial insurance by state agencies for excess auto liability and other lines of coverage to fulfill some contractual requirements on out of state operations. There is purchase of insurance for protection of some fleet vehicles, some specified watercraft and specific fixed wing aircraft. In the last three years, settled claims have not exceeded commercial coverage.

Claims payments are financed through an annual assessment to all state agencies based on amount of payroll and past loss history. Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments, as well as the experience of similar programs in other states.

**Unemployment Benefits:** Unemployment benefits are established in statute and administered by the Mississippi Department of Employment Security. The State elects to manage the financial risk for state agencies through retention of all liability exposure. Benefits are financed through collection of premiums from agencies, which provides a stable cash flow for payment of claims.

Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments, adjusted for changes in covered payrolls.

**Workers' Compensation Benefits:** Workers' compensation benefits are established in statute and the rules and regulations are established by the Mississippi Workers' Compensation Commission and the Mississippi State Agencies Self-Insured Workers' Compensation Trust Board of Trustees. Four major state agencies have been granted exemption from participation in the Risk Management Fund.

The exposure of risk in the Risk Management Fund is financed mostly through retention of all exposure, with limited purchase of commercial excess insurance. The benefits are financed through collection of premiums, based on an actuarial estimate, from agencies which provides a stable cash flow for claims payments. In the last three years, settled claims have not exceeded commercial coverage. Estimates of the liability for unpaid claims are actuarially determined based on observed patterns of claims payments and case reserves development. Liabilities are based on the ultimate costs of settling claims, including inflation and other factors, and include provisions for estimated claims adjustment expenses.

Exempted state agencies cover all claim settlements and judgments with the resources of the General Fund. Claim expenditures and estimates of the related liability are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated.

# Mississippi

## Note 19 - Contingencies

- A. Federal Grants** - The State has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the State. The State estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.
- B. Litigation** - The State is party to various legal proceedings that arise in the normal course of governmental operations. The State's legal counsel believes that they will be successful in defending the State and its agencies in a majority of these cases. In the event that they are not successful in defending such cases, they do not believe that the total liability will exceed \$39,002,000. In the opinion of the State, the ultimate disposition of these matters will not have a material adverse effect on the financial position of the State.
- C. Loan Guarantees** - The Mississippi Development Authority (MDA), a state agency, is authorized by state law to provide loan guarantees through the Small Business Loan Guarantee Program, funded through the Federal State Small Business Credit Initiative, in order to increase the amount of capital made available by private lenders to small businesses. The length of the loan guarantees range from one to fifteen years. In the case of default by the borrower, following the private lender's normal collection procedures to seek reimbursement from the loan recipient, the State pays the private lender a percentage of the outstanding loan amount. At June 30, 2014, outstanding MDA loan guarantees totaled \$34,352,000.
- The State has co-signed promissory notes issued by the Federal Emergency Management Agency under the Federal Community Disaster Loan Program (CDL) on behalf of local governments as authorized by state law. The program provides operational funding for local governments or political subdivisions of the State that incurred a significant loss in revenue due to a presidentially declared disaster that adversely affected their ability to provide essential governmental services. In March 2013, federal legislation allowed borrowers to apply for cancellation of debt based on inability to repay their loans. At June 30, 2014, the remaining outstanding CDL loan guarantees totaled \$3,691,000. The loan guarantees expire September 30, 2035.
- D. Conduit Debt** - The Mississippi Development Bank (a nonmajor component unit) issues special obligation bonds in order to provide funds for making loans to governmental units. Although the special obligation bonds bear the name of the Bank, the Bank is not responsible for the payment of the bonds but rather the bonds are secured only by the payments agreed to be paid by the governmental units under the terms of the loan agreements. The outstanding balance of special obligation bonds issued by the Bank was approximately \$2,184,048,000 at June 30, 2014. The faith, credit and taxing power of the State and the Bank are not pledged to the payment of such bonds.

## Note 20 - Subsequent Events

The Working Cash Stabilization Reserve Account and budgetary special funds may be used to meet cash flow needs throughout the year when the General Fund experiences projected cash flow deficiencies. As a result, the General Fund has accumulated borrowings outstanding of \$396,985,000 from the Working Cash Stabilization Reserve Account and \$166,898,049 from budgetary special funds as of February 12, 2015. In order to comply with State law, all borrowings must be repaid by the end of the fiscal year.

The State entered into a financing agreement on July 2, 2014 to accelerate the construction of a highway project. The agreement resulted in notes payable totaling \$82,940,000 payable beginning in year 2015 through year 2030 with interest rates ranging from 1% to 5%.

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# Mississippi

## Required Supplementary Information

### Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds

For the Year Ended June 30, 2014 (Expressed in Thousands)

|  | General Fund       |                 |                                |   |
|--|--------------------|-----------------|--------------------------------|---|
|  | Original<br>Budget | Final<br>Budget | Actual<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Over (Under) |
| <b>Revenues</b>  |                    |                 |                                |   |
| Sales tax  | \$ 1,946,000       | \$ 1,946,000    | \$ 1,955,113                   | \$ 9,113                                      |
| Individual income tax  | 1,668,400          | 1,668,400       | 1,666,791                      | (1,609)                                       |
| Corporate income and franchise taxes   | 464,500            | 464,500         | 677,046                        | 212,546                                       |
| Use and wholesale compensating taxes   | 231,500            | 231,500         | 246,322                        | 14,822  |
| Tobacco, beer and wine taxes   | 186,200            | 186,200         | 176,181                        | (10,019)                                      |
| Insurance tax  | 208,500            | 208,500         | 250,975                        | 42,475  |
| Oil and gas severance taxes  | 80,300             | 80,300          | 76,654                         | (3,646)                                       |
| Alcoholic Beverage Control excise and privilege<br>taxes and net profit on sale of alcoholic beverages | 69,500             | 69,500          | 71,525                         | 2,025   |
| Other taxes  | 10,700             | 10,700          | 10,869                         | 169   |
| Interest   | 17,100             | 17,100          | 13,511                         | (3,589)                                       |
| Auto privilege, tag and title fees   | 10,800             | 10,800          | 9,759                          | (1,041)                                       |
| Gaming fees  | 139,300            | 139,300         | 127,777                        | (11,523)                                      |
| Highway Safety Patrol fees   | 21,100             | 21,100          | 22,855                         | 1,755   |
| Other fees and services  | 11,500             | 11,500          | 10,292                         | (1,208)                                       |
| Miscellaneous  | 4,300              | 4,300           | 3,851                          | (449)   |
| Court assessments and settlements  |                    |                 | 70,286                         | 70,286  |
| Special Fund revenues  |                    |                 |                                |   |
| Total Revenues   | 5,069,700          | 5,069,700       | 5,389,807                      | 320,107                                       |
| <b>Expenditures by Major Budgetary Function</b>  |                    |                 |                                |   |
| Legislative  | 28,398             | 28,942          | 26,378                         | (2,564)                                       |
| Judiciary and justice  | 64,500             | 64,500          | 64,453                         | (47)  |
| Executive and administrative   | 3,289              | 3,289           | 3,217                          | (72)  |
| Fiscal affairs   | 56,850             | 56,850          | 56,792                         | (58)  |
| Public education   | 2,080,865          | 2,085,865       | 2,077,657                      | (8,208)                                       |
| Higher education   | 761,636            | 761,636         | 761,596                        | (40)  |
| Public health  | 36,039             | 36,039          | 35,796                         | (243)   |
| Hospitals and hospital schools   | 216,134            | 216,134         | 216,072                        | (62)  |
| Agriculture, commerce and economic development   | 110,144            | 110,144         | 110,034                        | (110)   |
| Conservation and recreation  | 48,197             | 48,197          | 48,135                         | (62)  |
| Insurance and banking  |                    |                 |                                |   |
| Corrections  | 334,633            | 334,633         | 334,580                        | (53)  |
| Interdepartmental service  |                    |                 |                                |   |
| Social welfare   | 737,880            | 737,880         | 737,836                        | (44)  |
| Public protection and veterans assistance  | 88,951             | 88,951          | 88,001                         | (950)   |
| Local assistance   | 81,109             | 81,109          | 81,109                         |   |
| Motor vehicle and other regulatory agencies  | 40                 | 40              | 40                             |   |
| Miscellaneous  | 1,337              | 1,337           | 1,337                          |   |
| Public works   |                    |                 |                                |   |
| Debt service   | 375,360            | 375,860         | 375,455                        | (405)   |
| Total Expenditures   | 5,025,362          | 5,031,406       | 5,018,488                      | (12,918)                                      |
| Excess of Revenues over (under) Expenditures   | 44,338             | 38,294          | 371,319                        | 333,025                                       |
| <b>Other Financing Sources (Uses)</b>  |                    |                 |                                |   |
| Transfers in   | 11,200             | 11,200          | 13,213                         | 2,013   |
| Transfers out  |                    |                 | (397,492)                      | (397,492)                                     |
| Other sources of cash  |                    |                 | 164                            | 164   |
| Excess of Revenues and Other Sources<br>over (under) Expenditures and Other Uses                       | 55,538             | 49,494          | (12,796)                       | (62,290)                                      |
| Budgetary Fund Balances - Beginning  | 54,121             | 54,121          | 54,121                         |   |
| Budgetary Fund Balances - Ending   | \$ 109,659         | \$ 103,615      | \$ 41,325                      | \$ (62,290)                                   |

The accompanying notes to the Required Supplementary Information are an integral part of this statement.

| Education Enhancement Fund |              |                          |   | Special Fund    |              |                          |   |
|----------------------------|--------------|--------------------------|---|-----------------|--------------|--------------------------|---|
| Original Budget            | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Over (Under) | Original Budget | Final Budget | Actual (Budgetary Basis) | Variance with Final Budget Over (Under) |
| \$ 252,492                 | \$ 258,299   | \$ 276,440               | \$ 18,141                               | \$              | \$           | \$                       | \$                                      |
| 27,198                     | 27,769       | 30,037                   | 2,268                                   |                 |              |                          |   |
|                            |              | 96                       | 96                                      |                 |              |                          |   |
|                            |              | 79                       | 79                                      |                 |              |                          |   |
|                            |              |                          |   | 11,503,982      | 12,749,936   | 10,341,746               | (2,408,190)                             |
| 279,690                    | 286,068      | 306,652                  | 20,584                                  | 11,503,982      | 12,749,936   | 10,341,746               | (2,408,190)                             |
|                            |              |                          |   | 6               | 6            | 6                        |   |
|                            |              |                          |   | 69,109          | 79,638       | 61,568                   | (18,070)                                |
|                            |              |                          |   | 16,359          | 65,509       | 22,871                   | (42,638)                                |
|                            |              |                          |   | 80,902          | 160,576      | 129,467                  | (31,109)                                |
| 254,668                    | 255,907      | 253,764                  | (2,143)                                 | 916,086         | 917,722      | 764,376                  | (153,346)                               |
| 98,115                     | 98,115       | 98,359                   | 244                                     | 112,075         | 115,030      | 79,833                   | (35,197)                                |
|                            |              |                          |   | 408,979         | 412,708      | 292,732                  | (119,976)                               |
|                            |              |                          |   | 374,816         | 394,024      | 366,650                  | (27,374)                                |
| 2,966                      | 2,966        | 2,719                    | (247)                                   | 496,800         | 497,861      | 272,311                  | (225,550)                               |
| 125                        | 125          | 125                      |   | 356,194         | 419,791      | 263,898                  | (155,893)                               |
|                            |              |                          |   | 47,208          | 88,309       | 60,519                   | (27,790)                                |
|                            |              |                          |   | 27,269          | 50,372       | 44,418                   | (5,954)                                 |
|                            |              |                          |   | 45,271          | 52,321       | 48,422                   | (3,899)                                 |
|                            |              |                          |   | 6,586,806       | 6,988,933    | 6,088,245                | (900,688)                               |
|                            |              |                          |   | 765,184         | 923,960      | 457,827                  | (466,133)                               |
|                            |              |                          |   | 28,436          | 30,663       | 27,759                   | (2,904)                                 |
| 450                        | 450          | 450                      |   | 985             | 1,030        | 720                      | (310)                                   |
|                            |              |                          |   | 1,099,914       | 1,479,900    | 1,318,348                | (161,552)                               |
|                            |              |                          |   | 71,583          | 71,583       | 46,222                   | (25,361)                                |
| 356,324                    | 357,563      | 355,417                  | (2,146)                                 | 11,503,982      | 12,749,936   | 10,346,192               | (2,403,744)                             |
| (76,634)                   | (71,495)     | (48,765)                 | 22,730                                  |                 |              | (4,446)                  | (4,446)                                 |
|                            |              | 46,000                   | 46,000                                  |                 |              | 1,500                    | 1,500                                   |
|                            |              |                          |   |                 |              | (22,629)                 | (22,629)                                |
| (76,634)                   | (71,495)     | (2,765)                  | 68,730                                  |                 |              | (25,575)                 | (25,575)                                |
|                            |              | 25,991                   | 25,991                                  |                 |              | 1,160,909                | 1,160,909                               |
| \$ (76,634)                | \$ (71,495)  | \$ 23,226                | \$ 94,721                               | \$ 0            | \$ 0         | \$ 1,135,334             | \$ 1,135,334                            |

# Mississippi

## Required Supplementary Information

### Notes to Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds

For the Year Ended June 30, 2014

The Budgetary Comparison Schedule - Budget and Actual (Non-GAAP Basis) - All Budgetary Funds presents the original legally adopted budget, as well as comparisons of the final legally adopted budget with actual data on a budgetary basis. The State's basis of budgeting is the cash basis plus encumbrances. The State has established three budgetary fund groups to account for its budgetary activities and functions. The General Fund group is established to receive and distribute general tax revenues and other general fund revenues and interest generated thereon. The Education Enhancement Fund group is established to receive specific tax revenues to support various educational programs. The Special Fund group is established to receive federal grants, fees, proceeds from the sale of goods and services, taxes levied for specific purposes and interest generated thereon, and to support the functional activities of the agencies that generate such revenues.

General Fund and Education Enhancement Fund original budget revenues represent the General Fund and Education Enhancement Fund revenue estimates adopted by the Legislative Budget Office at the date of sine die adjournment. Special Fund revenue estimates include anticipated revenues during the year and the amount of beginning cash balances on hand at the beginning of the year that are anticipated to be expended for special fund purposes.

Due to the complexity of the State's budget, a separate *Annual Report of Budgetary Basis Expenditures* has been prepared to present final budget to actual comparisons at the legal level of control. This budgetary report is available at the Department of Finance and Administration.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with GAAP, a reconciliation of differences between budgetary and GAAP presentations for the year ended June 30, 2014 is presented below (amounts expressed in thousands):

| <u>Budgetary Funds</u>   | <u>General</u> | <u>Education<br/>Enhancement</u> | <u>Special</u> |
|--|----------------|----------------------------------|----------------|
| <u>Financial Statement Major Fund</u>  | <u>General</u> |                                  |                |
| Net Change in Budgetary Fund Balances  | \$ (12,796)    | \$ (2,765)                       | \$ (25,575)    |
| Reclassifications:   |                |                                  |                |
| Budgetary fund excesses are reclassified<br>to the General Fund for GAAP reporting                                       | (30,128)       | 2,765                            | 27,363         |
| The State reports amounts in the budgetary<br>funds that are reported in other major and<br>nonmajor funds               |                |                                  | (1,788)        |
| Adjustments:   |                |                                  |                |
| The financial reporting fund structure includes funds<br>that are not part of the budgetary fund structure               | 94,434         |                                  |                |
| The State's basis of budgeting is the cash basis plus<br>encumbrances, rather than the modified accrual basis            | (523,231)      |                                  |                |
| Lapse period revenues and expenditures are not<br>treated as assets and liabilities in the financial<br>reporting period | 508,727        |                                  |                |
| Net Change in GAAP Fund Balances   | \$ 37,006      | \$ 0                             | \$ 0           |

# Mississippi

## Required Supplementary Information

### Schedule of Funding Progress - Pension Trust Funds

June 30, 2014 (Expressed in Thousands)

| Actuarial<br>Valuation<br>Date                             | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial Accrued<br>Liability (AAL)<br>Entry Age<br>(b) | Unfunded<br>AAL<br>(b - a) | Percent<br>Funded<br>(a / b) | Annual<br>Covered<br>Payroll<br>(c) | Unfunded<br>AAL as a<br>Percentage of<br>Annual<br>Covered Payroll<br>( (b - a) / c ) |
|--|--|--|----------------------------|------------------------------|-------------------------------------|---|
| <b>Public Employees' Retirement System of Mississippi</b>  |  |  |                            |                              |                                     |   |
| 2012   | \$ 19,992,797                          | \$ 34,492,873  | \$ 14,500,076              | 58.0%                        | \$ 5,857,789                        | 247.5%  |
| 2013   | 20,490,555                             | 35,542,848   | 15,052,293                 | 57.7                         | 5,823,578                           | 258.5   |
| 2014   | 22,569,940                             | 37,015,288   | 14,445,348                 | 61.0                         | 5,834,687                           | 589.0   |
| <b>Mississippi Highway Safety Patrol Retirement System</b> |  |  |                            |                              |                                     |   |
| 2012   | \$ 268,424                             | \$ 421,415   | \$ 152,991                 | 63.7%                        | \$ 25,670                           | 596.0%  |
| 2013   | 271,097                                | 431,575  | 160,478                    | 62.8                         | 25,816                              | 621.6   |
| 2014   | 295,298                                | 445,822  | 150,524                    | 66.2                         | 25,554                              | 589.0   |
| <b>Municipal Retirement Systems *</b>                      |  |  |                            |                              |                                     |   |
| 2012   | \$ 155,484                             | \$ 356,571   | \$ 201,087                 | 43.6%                        | \$ 1,131                            | 17,779.6%   |
| 2013   | 153,241                                | 349,588  | 196,347                    | 43.8                         | 794                                 | 24,728.8  |
| 2014   | 157,970                                | 340,385  | 182,415                    | 46.4                         | 727                                 | 25,091.5  |
| <b>Supplemental Legislative Retirement Plan</b>            |  |  |                            |                              |                                     |   |
| 2012   | \$ 13,268                              | \$ 19,537  | \$ 6,269                   | 67.9%                        | \$ 6,872                            | 91.2%   |
| 2013   | 13,554                                 | 19,978   | 6,424                      | 67.8                         | 6,695                               | 95.9  |
| 2014   | 14,899                                 | 20,240   | 5,341                      | 73.6                         | 6,918                               | 77.2  |

\* Valuation information furnished for MRS is as of September 30 for fiscal year 2012. MRS changed its plan year end from September 30 to June 30 beginning in fiscal year 2013.

### Notes to Schedule of Funding Progress - Pension Trust Funds

The funding percentage of the actuarial accrued liability is a measure intended to help users assess the PERS, MHSPRS, MRS and SLRP funding status on a going-concern basis and assess progress being made in accumulating sufficient assets to pay benefits when due. The actuarial value of assets for PERS, MHSPRS, MRS and SLRP is determined on a market-related basis that recognizes 20 percent of the current year's unrecognized and unanticipated gains and losses (both realized and unrealized), as well as 20 percent of the prior years' unrecognized and unanticipated gains and losses (both realized and unrealized). Allocation of the actuarial present value of projected benefits between accrued and future service liabilities is based on service using the entry age actuarial cost method. Assumptions, including projected pay increases, are the same as used to determine the plan's annual required contributions. For additional information regarding this schedule, refer to the separately issued PERS Comprehensive Annual Financial Report for 2014 by writing to Public Employees' Retirement System of Mississippi, 429 Mississippi Street, Jackson, MS 39201-1005.



# Mississippi

## Required Supplementary Information

### Schedule of Funding Progress - Other Postemployment Benefits

June 30, 2014 (Expressed in Thousands)

| Actuarial<br>Valuation<br>Date | Actuarial<br>Value of<br>Assets<br>(a) | Actuarial Accrued<br>Liability (AAL)<br>Entry Age<br>(b) | Unfunded<br>AAL<br>(b – a) | Percent<br>Funded<br>(a / b) | Annual<br>Covered<br>Payroll<br>(c) | Unfunded<br>AAL as a<br>Percentage of<br>Annual<br>Covered Payroll<br>( (b – a) / c ) |
|--------------------------------|--|--|----------------------------|------------------------------|-------------------------------------|---|
| June 30, 2012                  | \$ 0                                   | \$ 664,738   | \$ 664,738                 | 0.0%                         | \$ 4,312,956                        | 15.4%   |
| June 30, 2013                  | 0                                      | 690,339  | 690,339                    | 0.0                          | 4,425,943                           | 15.6  |
| June 30, 2014                  | 0                                      | 762,358  | 762,358                    | 0.0                          | 4,406,047                           | 17.3  |



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## Nonmajor Enterprise Funds

Enterprise funds account for the operations of the state that provide goods or services to the general public on a user charge basis.

### Nonmajor Enterprise Funds Descriptions

**Fair Commission** - The **Fair Commission Fund** accounts for expenses of the Fair Commission's operation of the coliseum, Dixie National Livestock Show and Industrial Showcase Building. Funding sources include gross receipts from the state fair, livestock show, Industrial Building and other events conducted at the coliseum and fairgrounds, as well as transfers from the General Fund.

**Veterans' Home Purchase Board** - The **Veterans' Home Purchase Board Fund** provides home mortgage loans to qualified Mississippi veterans and accounts for administrative expenses of the Veterans' Home Purchase Board. Revenue is derived from interest earned on loans.

**Department of Finance and Administration** - The **Office of Surplus Property Fund** receives and maintains an inventory of surplus federal property and redistributes it to state agencies and departments, counties, municipalities and other eligible donees within the state. Fees are collected from the donees to offset operating costs.

**Yellow Creek Inland Port Authority** - The **Yellow Creek Inland Port Authority Fund** accounts for operations of a public port facility at the conjunction of the Tennessee River and Yellow Creek in Tishomingo County, Mississippi. All costs of operating this port are accounted for in this fund. Funding is provided by gross receipts from port operations, proceeds from other governments and investment income.

**Department of Rehabilitation Services** - The **AbilityWorks Fund** accounts for a statewide system of sheltered workshop facilities through which handicapped citizens receive work experience to prepare them for employment outside the AbilityWorks setting. Revenue is generated from the sale of goods and services and transfers from the rehabilitation services fund.

**Department of Agriculture and Commerce** - The **Agriculture and Forestry Museum Fund** accounts for operations of the museum. Revenue is generated from the sale of goods, ticket sales and rental income.

**Department of Corrections** - The **Restaurants and Commissary Fund** accounts for operations of two restaurants and a commissary at the state penitentiary. The restaurants are maintained for the convenience of Department of Corrections penitentiary employees. Profits from the commissary are used for the special benefit of the penitentiary's residents. The **Prison Agricultural Enterprises Fund** accounts for a farming operation. Revenue sources include proceeds from the sale of row crops and rental income from leased land.

# Mississippi

## Nonmajor Enterprise Funds

### Combining Statement of Net Position

June 30, 2014 (Expressed in Thousands)

|  | Department of<br>Finance and<br>Administration |  |                                  |  |
|--|--|--|----------------------------------|--|
|  | Fair<br>Commission                             | Veterans'<br>Home<br>Purchase<br>Board | Office of<br>Surplus<br>Property | Yellow Creek<br>Inland Port<br>Authority |
| <b>Assets</b>                          |  |  |                                  |  |
| Current assets:                        |  |  |                                  |  |
| Equity in internal investment pool     | \$ 1,111                                       | \$ 62,652                              | \$ 805                           | \$                                       |
| Cash and cash equivalents              | 58   | 29                                     |                                  | 6,940                                    |
| Receivables, net                       | 19   | 634                                    |                                  | 154                                      |
| Due from other funds                   | 33   |  |                                  | 39                                       |
| Due from component units               |  |  |                                  |  |
| Inventories                            |  |  | 14                               |  |
| Prepaid items                          |  | 28                                     |                                  | 21                                       |
| Loans and notes receivable             |  | 5,375                                  |                                  |  |
| Total Current Assets                   | 1,221  | 68,718                                 | 819                              | 7,154                                    |
| Noncurrent assets:                     |  |  |                                  |  |
| Loans and notes receivable             |  | 149,964                                |                                  | 607                                      |
| Capital assets:                        |  |  |                                  |  |
| Land and construction in progress      | 840  | 226                                    | 100                              | 2,168                                    |
| Other capital assets, net              | 13,705   | 1,169                                  | 332                              | 12,191                                   |
| Total Noncurrent Assets                | 14,545   | 151,359                                | 432                              | 14,966                                   |
| Total Assets                           | 15,766   | 220,077                                | 1,251                            | 22,120                                   |
| <b>Liabilities</b>                     |  |  |                                  |  |
| Current liabilities:                   |  |  |                                  |  |
| Warrants payable                       | 23   | 906                                    | 25                               |  |
| Accounts payable and other liabilities | 117  | 21                                     | 26                               | 24                                       |
| Due to other governments               |  |  |                                  | 174                                      |
| Due to other funds                     | 100  | 11                                     | 1                                | 7  |
| Deposits                               |  | 1,565                                  |                                  |  |
| Unearned revenues                      | 140  |  |                                  |  |
| Lease obligations payable              |  |  |                                  |  |
| Total Current Liabilities              | 380  | 2,503                                  | 52                               | 205                                      |
| Noncurrent liabilities:                |  |  |                                  |  |
| Due to other governments               |  |  |                                  | 11,232                                   |
| Lease obligations payable              |  |  |                                  |  |
| Other liabilities                      | 69   | 51                                     | 30                               | 35                                       |
| Total Noncurrent Liabilities           | 69   | 51                                     | 30                               | 11,267                                   |
| Total Liabilities                      | 449  | 2,554                                  | 82                               | 11,472                                   |
| <b>Net Position</b>                    |  |  |                                  |  |
| Net investment in capital assets       | 14,545   | 1,395                                  | 432                              | 7,069                                    |
| Unrestricted                           | 772  | 216,128                                | 737                              | 3,579                                    |
| Total Net Position                     | \$ 15,317                                      | \$ 217,523                             | \$ 1,169                         | \$ 10,648                                |

| <b>Department of<br/>Rehabilitation<br/>Services</b> | <b>Department of<br/>Agriculture<br/>and Commerce</b> | <b>Department of Corrections</b> |                                       |               |
|--|---|----------------------------------|---------------------------------------|---------------|
| AbilityWorks   | Agriculture<br>and Forestry<br>Museum                 | Restaurants<br>and<br>Commissary | Prison<br>Agricultural<br>Enterprises | <b>Totals</b> |
| \$   | \$  | \$                               | \$                                    | \$            |
| 9,476  | 87  | 432                              | 1,416                                 | 66,071        |
| 3,477  | 21  | 578                              |                                       | 16,956        |
| 11,396   |   | 1                                | 60                                    | 4,862         |
| 9  |   |                                  |                                       | 11,529        |
| 172  | 31  |                                  | 563                                   | 9             |
| 282  |   |                                  |                                       | 780           |
|  |   |                                  |                                       | 331           |
|  |   |                                  |                                       | 5,375         |
| 24,812   | 139   | 1,011                            | 2,039                                 | 105,913       |
|  |   |                                  |                                       | 150,571       |
|  | 1,690   |                                  |                                       | 5,024         |
|  | 2,011   | 34                               | 2,876                                 | 32,318        |
|  | 3,701   | 34                               | 2,876                                 | 187,913       |
| 24,812   | 3,840   | 1,045                            | 4,915                                 | 293,826       |
|  |   |                                  |                                       |               |
|  | 3   |                                  | 57                                    | 1,014         |
| 3,093  | 20  | 606                              | 54                                    | 3,961         |
|  | 1   |                                  |                                       | 175           |
| 2,245  |   | 414                              |                                       | 2,778         |
|  |   |                                  |                                       | 1,565         |
|  |   |                                  |                                       | 140           |
|  |   |                                  | 72                                    | 72            |
| 5,338  | 24  | 1,020                            | 183                                   | 9,705         |
|  |   |                                  |                                       | 11,232        |
|  |   |                                  | 272                                   | 272           |
|  | 31  |                                  | 195                                   | 411           |
|  | 31  |                                  | 467                                   | 11,915        |
| 5,338  | 55  | 1,020                            | 650                                   | 21,620        |
|  |   |                                  |                                       |               |
|  | 3,701   | 34                               | 2,532                                 | 29,708        |
| 19,474   | 84  | (9)                              | 1,733                                 | 242,498       |
| \$ 19,474  | \$ 3,785  | \$ 25                            | \$ 4,265                              | \$ 272,206    |

# Mississippi

## Nonmajor Enterprise Funds

### Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

For the Year Ended June 30, 2014 (Expressed in Thousands)

|   |                    |  | Department of<br>Finance and<br>Administration |  |
|---|--------------------|--|--|--|
|   | Fair<br>Commission | Veterans'<br>Home<br>Purchase<br>Board | Office of<br>Surplus<br>Property               | Yellow Creek<br>Inland Port<br>Authority |
| <b>Operating Revenues</b>                                   |                    |  |  |  |
| Charges for sales and services                              | \$ 4,157           | \$ 23                                  | \$ 577   | \$ 1,264                                 |
| Investment income   |                    | 6,564                                  |  |  |
| Rentals   |                    | 47                                     |  | 848                                      |
| Fees  |                    | 54                                     |  |  |
| Other   | 459                | 2                                      | 12   |  |
| Total Operating Revenues                                    | 4,616              | 6,690                                  | 589  | 2,112                                    |
| <b>Operating Expenses</b>                                   |                    |  |  |  |
| Cost of sales and services                                  | 54                 |  |  |  |
| General and administrative                                  | 1,228              | 962                                    | 455  | 586                                      |
| Contractual services  | 3,242              | 318                                    | 137  | 895                                      |
| Commodities   | 321                | 30                                     | 51   | 91                                       |
| Depreciation  | 465                | 37                                     | 54   | 599                                      |
| Other   | 7                  | 6                                      |  |  |
| Total Operating Expenses                                    | 5,317              | 1,353                                  | 697  | 2,171                                    |
| Operating Income (Loss)                                     | (701)              | 5,337                                  | (108)  | (59)                                     |
| <b>Nonoperating Revenues</b>                                |                    |  |  |  |
| Insurance recovery  |                    |  | 50   |  |
| Gain on disposal of capital assets                          |                    |  |  | 333                                      |
| Investment income   |                    | 947                                    | 4  | 36                                       |
| Total Nonoperating Revenues                                 |                    | 947                                    | 54   | 369                                      |
| <b>Nonoperating Expenses</b>                                |                    |  |  |  |
| Loss on disposal of capital assets                          |                    |  | 18   |  |
| Interest  |                    |  |  |  |
| Total Nonoperating Expenses                                 |                    |  | 18   |  |
| Income (Loss) before Capital<br>Contributions and Transfers | (701)              | 6,284                                  | (72)   | 310                                      |
| Capital Contributions                                       |                    |  |  |  |
| Transfers In  | 20                 | 15                                     |  | 587                                      |
| Transfers Out   |                    | (250)                                  | (60)   |  |
| Change in Net Position                                      | (681)              | 6,049                                  | (132)  | 897                                      |
| Total Net Position - Beginning                              | 15,998             | 211,474                                | 1,301  | 9,751                                    |
| Total Net Position - Ending                                 | \$ 15,317          | \$ 217,523                             | \$ 1,169                                       | \$ 10,648                                |

| Department of Rehabilitation Services |         | Department of Agriculture and Commerce |       | Department of Corrections  |       |                                 |        |    |         |
|---------------------------------------|---------|--|-------|----------------------------|-------|---------------------------------|--------|----|---------|
| AbilityWorks                          |         | Agriculture and Forestry Museum        |       | Restaurants and Commissary |       | Prison Agricultural Enterprises | Totals |    |         |
| \$                                    | 10,162  | \$                                     | 197   | \$                         | 7,524 | \$                              | 1,380  | \$ | 25,284  |
|                                       |         |  | 350   |                            |       |                                 | 462    |    | 6,564   |
|                                       |         |  |       |                            |       |                                 |        |    | 1,707   |
|                                       |         |  |       |                            |       |                                 |        |    | 54      |
|                                       | 909     |  | 67    |                            | 19    |                                 |        |    | 1,468   |
|                                       | 11,071  |  | 614   |                            | 7,543 |                                 | 1,842  |    | 35,077  |
|                                       |         |  |       |                            |       |                                 |        |    |         |
|                                       | 8,788   |  | 73    |                            | 5,635 |                                 | 742    |    | 15,292  |
|                                       | 7,931   |  | 457   |                            | 434   |                                 | 456    |    | 12,509  |
|                                       | 1,189   |  | 406   |                            | 230   |                                 | 341    |    | 6,758   |
|                                       | 51      |  | 73    |                            | 276   |                                 | 736    |    | 1,629   |
|                                       |         |  | 143   |                            |       |                                 | 193    |    | 1,491   |
|                                       |         |  | 2     |                            |       |                                 |        |    | 15      |
|                                       | 17,959  |  | 1,154 |                            | 6,575 |                                 | 2,468  |    | 37,694  |
|                                       | (6,888) |  | (540) |                            | 968   |                                 | (626)  |    | (2,617) |
|                                       |         |  |       |                            |       |                                 |        |    |         |
|                                       |         |  |       |                            |       |                                 |        |    | 50      |
|                                       |         |  | 2     |                            |       |                                 | 8      |    | 343     |
|                                       | 12      |  |       |                            |       |                                 |        |    | 999     |
|                                       | 12      |  | 2     |                            |       |                                 | 8      |    | 1,392   |
|                                       |         |  |       |                            |       |                                 |        |    |         |
|                                       |         |  |       |                            |       |                                 |        |    | 18      |
|                                       |         |  |       |                            |       |                                 | 10     |    | 10      |
|                                       |         |  |       |                            |       |                                 | 10     |    | 28      |
|                                       |         |  |       |                            |       |                                 |        |    |         |
|                                       | (6,876) |  | (538) |                            | 968   |                                 | (628)  |    | (1,253) |
|                                       |         |  | 33    |                            |       |                                 |        |    | 33      |
|                                       | 7,863   |  | 469   |                            | 15    |                                 | 729    |    | 9,698   |
|                                       | (2,000) |  |       |                            | (974) |                                 | (58)   |    | (3,342) |
|                                       | (1,013) |  | (36)  |                            | 9     |                                 | 43     |    | 5,136   |
|                                       | 20,487  |  | 3,821 |                            | 16    |                                 | 4,222  |    | 267,070 |
| \$                                    | 19,474  | \$                                     | 3,785 | \$                         | 25    | \$                              | 4,265  | \$ | 272,206 |



# Mississippi

## Nonmajor Enterprise Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2014 (Expressed in Thousands)

|   | Department of<br>Finance and<br>Administration |  |                                  |  |
|---|--|--|----------------------------------|--|
|   | Fair<br>Commission                             | Veterans'<br>Home<br>Purchase<br>Board | Office of<br>Surplus<br>Property | Yellow Creek<br>Inland Port<br>Authority |
| <b>Cash Flows from Operating Activities</b>                                 |  |  |                                  |  |
| Cash receipts from customers  | \$ 4,632                                       | \$ 104                                 | \$ 597                           | \$ 2,103                                 |
| Cash payments to suppliers for goods and services                           | (3,538)  | (383)                                  | (192)                            | (1,115)                                  |
| Cash payments to employees for services                                     | (1,210)  | (931)                                  | (443)                            | (562)                                    |
| Other operating cash receipts   |  | 155                                    | 12                               |  |
| Other operating cash payments   |  | (2)                                    |                                  |  |
| Principal and interest received on program loans                            |  | 23,306                                 |                                  |  |
| Issuance of program loans   |  | (22,642)                               |                                  |  |
| Net Cash Provided by (Used for) Operating Activities                        | (116)  | (393)                                  | (26)                             | 426                                      |
| <b>Cash Flows from Noncapital Financing Activities</b>                      |  |  |                                  |  |
| Transfers in  | 20   | 15                                     |                                  | 587                                      |
| Transfers out   |  | (250)                                  | (60)                             |  |
| Proceeds from other governments   |  |  |                                  | 677                                      |
| Net Cash Provided by (Used for) Noncapital<br>Financing Activities          | 20   | (235)                                  | (60)                             | 1,264                                    |
| <b>Cash Flows from Capital and Related<br/>Financing Activities</b>         |  |  |                                  |  |
| Acquisition and construction of capital assets                              |  |  | (131)                            | (464)                                    |
| Proceeds from sale of capital assets  |  |  |                                  | 450                                      |
| Principal paid on bonds and capital assets contracts                        |  |  |                                  |  |
| Interest paid on bonds and capital assets contracts                         |  |  |                                  |  |
| Proceeds from insurance recovery  |  |  | 50                               |  |
| Net Cash Provided by (Used for) Capital and<br>Related Financing Activities | 0  | 0                                      | (81)                             | (14)                                     |
| <b>Cash Flows from Investing Activities</b>                                 |  |  |                                  |  |
| Investment income   |  | 933                                    | 5                                | 36                                       |
| Net Cash Provided by Investing Activities                                   |  | 933                                    | 5                                | 36                                       |
| Net Change in Cash and Cash Equivalents                                     | (96)   | 305                                    | (162)                            | 1,712                                    |
| Cash and Cash Equivalents - Beginning                                       | 1,265  | 62,376                                 | 967                              | 5,228                                    |
| Cash and Cash Equivalents - Ending  | \$ 1,169                                       | \$ 62,681                              | \$ 805                           | \$ 6,940                                 |

| <u>Department of Rehabilitation Services</u> |         | <u>Department of Agriculture and Commerce</u> | <u>Department of Corrections</u> |                                 |               |          |
|--|---------|---|----------------------------------|---------------------------------|---------------|----------|
| AbilityWorks                                 |         | Agriculture and Forestry Museum               | Restaurants and Commissary       | Prison Agricultural Enterprises | <b>Totals</b> |          |
| \$   | 10,063  | \$ 613  | \$ 7,422                         | \$ 1,843                        | \$            | 27,377   |
|  | (8,754) | (571)   | (5,985)                          | (1,924)                         |               | (22,462) |
|  | (7,931) | (454)   | (421)                            | (453)                           |               | (12,405) |
|  | 909     |   | 18                               |                                 |               | 1,094    |
|  |         |   |                                  |                                 |               | (2)      |
|  |         |   |                                  |                                 |               | 23,306   |
|  |         |   |                                  |                                 |               | (22,642) |
|  | (5,713) | (412)   | 1,034                            | (534)                           |               | (5,734)  |
|  | 7,862   | 469   | 15                               | 708                             |               | 9,676    |
|  | (2,000) |   | (922)                            | (58)                            |               | (3,290)  |
|  |         |   |                                  |                                 |               | 677      |
|  | 5,862   | 469   | (907)                            | 650                             |               | 7,063    |
|  |         |   |                                  | (47)                            |               | (642)    |
|  |         | 2   |                                  |                                 |               | 452      |
|  |         |   |                                  | (166)                           |               | (166)    |
|  |         |   |                                  | (10)                            |               | (10)     |
|  |         |   |                                  |                                 |               | 50       |
|  |         | 2   |                                  | (223)                           |               | (316)    |
|  | 12      |   |                                  |                                 |               | 986      |
|  | 12      |   |                                  |                                 |               | 986      |
|  | 161     | 59  | 127                              | (107)                           |               | 1,999    |
|  | 9,315   | 49  | 305                              | 1,523                           |               | 81,028   |
| \$   | 9,476   | \$ 108  | \$ 432                           | \$ 1,416                        | \$            | 83,027   |

(Continued on Next Page)

# Mississippi

## Nonmajor Enterprise Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2014 (Expressed in Thousands)

(Continued from Previous Page)

|  | Department of<br>Finance and<br>Administration |  |                                  |  |
|--|--|--|----------------------------------|--|
|  | Fair<br>Commission                             | Veterans'<br>Home<br>Purchase<br>Board | Office of<br>Surplus<br>Property | Yellow Creek<br>Inland Port<br>Authority |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Provided by (Used for) Operating Activities</b> |  |  |                                  |  |
| Operating income (loss)  | \$ (701)                                       | \$ 5,337                               | \$ (108)                         | \$ (59)                                  |
| Adjustments to reconcile operating income (loss) to<br>net cash provided by (used for) operating activities: |  |  |                                  |  |
| Depreciation   | 465  | 37                                     | 54                               | 599                                      |
| Change in assets and liabilities:  |  |  |                                  |  |
| (Increase) decrease in assets:   |  |  |                                  |  |
| Receivables, net   | 21   | (1)                                    | 6                                | 30                                       |
| Due from other governments   | 3  | 20                                     | 15                               |  |
| Due from other funds   | (17)   |  |                                  | (39)                                     |
| Due from component units   |  |  |                                  |  |
| Inventories  |  |  | (14)                             |  |
| Prepaid items  |  | (6)                                    |                                  | (1)                                      |
| Loans and notes receivable   |  | (6,304)                                |                                  |  |
| Increase (decrease) in liabilities:  |  |  |                                  |  |
| Warrants payable   | 4  | 451                                    | (3)                              |  |
| Accounts payable and other liabilities   | 58   | 69                                     | 25                               | (86)                                     |
| Due to other governments   |  |  |                                  |  |
| Due to other funds   | 43   | 4                                      |                                  | (18)                                     |
| Due to component units   |  |  | (1)                              |  |
| Unearned revenues  | 8  |  |                                  |  |
| Total adjustments  | 585  | (5,730)                                | 82                               | 485                                      |
| Net Cash Provided by (Used for) Operating Activities   | \$ (116)                                       | \$ (393)                               | \$ (26)                          | \$ 426                                   |
| <b>Noncash Capital and Related Financing Activities</b>  |  |  |                                  |  |
| Capital contributions  |  |  |                                  |  |
| Gain (loss) on disposal of capital assets  |  |  | (18)                             | 333                                      |

| <b>Department of<br/>Rehabilitation<br/>Services</b> | <b>Department of<br/>Agriculture<br/>and Commerce</b> | <b>Department of Corrections</b> |                                       |               |
|--|---|----------------------------------|---------------------------------------|---------------|
| AbilityWorks   | Agriculture<br>and Forestry<br>Museum                 | Restaurants<br>and<br>Commissary | Prison<br>Agricultural<br>Enterprises | <b>Totals</b> |
| \$ (6,888)   | \$ (540)  | \$ 968                           | \$ (626)                              | \$ (2,617)    |
|  | 143   |                                  | 193                                   | 1,491         |
| 99   |   | (102)                            |                                       | 53            |
| (190)  |   | (1)                              |                                       | 38            |
| (9)  |   |                                  |                                       | (247)         |
| (5)  | (7)   |                                  | (145)                                 | (9)           |
| 106  |   |                                  |                                       | (171)         |
|  |   |                                  |                                       | 99            |
|  |   |                                  |                                       | (6,304)       |
|  |   |                                  | 57                                    | 509           |
| 10   | (9)   | 169                              | (13)                                  | 223           |
|  | 1   |                                  |                                       | 1             |
| 1,164  |   |                                  |                                       | 1,193         |
|  |   |                                  |                                       | (1)           |
|  |   |                                  |                                       | 8             |
| 1,175  | 128   | 66                               | 92                                    | (3,117)       |
| \$ (5,713)   | \$ (412)  | \$ 1,034                         | \$ (534)                              | \$ (5,734)    |

|    |     |
|----|-----|
| 33 | 33  |
| 2  | 8   |
|    | 325 |

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## Internal Service Funds

Internal service funds account for the operations of state agencies that provide services or goods to other state agencies or governmental units on a cost reimbursement basis.

### Internal Service Funds Descriptions

**Personnel Board** - The **Personnel Board Fund** accounts for the expenses of establishing personnel policies, regulating the pay of state employees, and validating new hires. Revenues consist of assessments charged to state agencies based on the number of authorized positions.

**Information Technology Services** - The **Information Technology Services Fund** accounts for the centralized data processing and information devices, expenses related to planning and policies for the development of data processing capabilities and for the State's central telephone system, the Universities' central telephone systems and other governmental units' telephone systems. Revenues consist of charges to user agencies, universities, and governmental units for services and equipment. Other revenue consists of commissions from the usage of public utility companies' pay telephones located on state properties.

**Department of Finance and Administration** - The **Risk Management Fund** accounts for resources and transactions pertaining to the State's self-insured medical plan and life insurance program as mandated by state law to be offered to state and public education employees. Funding is provided by premiums collected from active and retired employees, local school districts, and the State's operating fund. This fund also accounts for unemployment benefits paid to eligible former state employees and for resources and transactions pertaining to the State's self-insured workers' compensation program. Funding is provided by premiums collected from the State's operating fund and participating state agencies. In addition, the fund accounts for resources and transactions pertaining to the State's self-insured tort claims program. Funding is provided by assessments of state agencies. Tort claims filed against state agencies and state employees are paid from this fund, as well as administrative expenses.

# Mississippi

## Internal Service Funds

### Combining Statement of Net Position

June 30, 2014 (Expressed in Thousands)

|  | Personnel Board |       | Information Technology Services |        | Department of Finance and Administration<br>Risk Management |         | Totals     |
|--|-----------------|-------|---------------------------------|--------|---|---------|------------|
| <b>Assets</b>                          |                 |       |                                 |        |   |         |            |
| Current assets:                        |                 |       |                                 |        |   |         |            |
| Equity in internal investment pool     | \$              | 1,506 | \$                              | 4,083  | \$  | 297,601 | \$ 303,190 |
| Cash and cash equivalents              |                 |       |                                 |        |   | 90,877  | 90,877     |
| Investments                            |                 |       |                                 |        |   | 4,636   | 4,636      |
| Receivables                            |                 | 7     |                                 | 34     |   | 360     | 401        |
| Due from other governments             |                 | 2     |                                 | 280    |   | 351     | 633        |
| Due from other funds                   |                 | 141   |                                 | 4,183  |   | 19,612  | 23,936     |
| Due from component units               |                 | 4     |                                 | 179    |   | 691     | 874        |
| Total Current Assets                   |                 | 1,660 |                                 | 8,759  |   | 414,128 | 424,547    |
| Noncurrent assets:                     |                 |       |                                 |        |   |         |            |
| Investments                            |                 |       |                                 |        |   | 32,286  | 32,286     |
| Other capital assets, net              |                 | 17    |                                 | 33,125 |   | 43      | 33,185     |
| Total Noncurrent Assets                |                 | 17    |                                 | 33,125 |   | 32,329  | 65,471     |
| Total Assets                           |                 | 1,677 |                                 | 41,884 |   | 446,457 | 490,018    |
| <b>Liabilities</b>                     |                 |       |                                 |        |   |         |            |
| Current liabilities:                   |                 |       |                                 |        |   |         |            |
| Warrants payable                       |                 | 62    |                                 | 188    |   | 83      | 333        |
| Accounts payable and other liabilities |                 | 45    |                                 | 1,542  |   | 4,081   | 5,668      |
| Due to other governments               |                 |       |                                 | 3      |   | 350     | 353        |
| Due to other funds                     |                 |       |                                 | 57     |   | 1,702   | 1,759      |
| Due to component units                 |                 |       |                                 |        |   | 57      | 57         |
| Claims and benefits payable            |                 |       |                                 |        |   | 111,732 | 111,732    |
| Unearned revenues                      |                 |       |                                 |        |   | 14,927  | 14,927     |
| Lease obligations payable              |                 |       |                                 | 305    |   |         | 305        |
| Total Current Liabilities              |                 | 107   |                                 | 2,095  |   | 132,932 | 135,134    |
| Noncurrent liabilities:                |                 |       |                                 |        |   |         |            |
| Claims and benefits payable            |                 |       |                                 |        |   | 37,375  | 37,375     |
| Lease obligations payable              |                 |       |                                 | 636    |   |         | 636        |
| Other liabilities                      |                 | 248   |                                 | 803    |   | 119     | 1,170      |
| Total Noncurrent Liabilities           |                 | 248   |                                 | 1,439  |   | 37,494  | 39,181     |
| Total Liabilities                      |                 | 355   |                                 | 3,534  |   | 170,426 | 174,315    |
| <b>Net Position</b>                    |                 |       |                                 |        |   |         |            |
| Net investment in capital assets       |                 | 17    |                                 | 32,192 |   | 43      | 32,252     |
| Unrestricted                           |                 | 1,305 |                                 | 6,158  |   | 275,988 | 283,451    |
| Total Net Position                     | \$              | 1,322 | \$                              | 38,350 | \$  | 276,031 | \$ 315,703 |

# Mississippi

## Internal Service Funds

### Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

For the Year Ended June 30, 2014 (Expressed in Thousands)

|   | <u>Department of<br/>Finance and<br/>Administration</u> |                                       |                    |            |
|---|---|---------------------------------------|--------------------|------------|
|   | Personnel<br>Board                                      | Information<br>Technology<br>Services | Risk<br>Management | Totals     |
| <b>Operating Revenues</b>                                   |   |                                       |                    |            |
| Charges for sales and services/premiums                     | \$ 5,275  | \$ 39,661                             | \$ 758,231         | \$ 803,167 |
| Other   | 1   |                                       | 4                  | 5          |
| Total Operating Revenues                                    | 5,276   | 39,661                                | 758,235            | 803,172    |
| <b>Operating Expenses</b>                                   |   |                                       |                    |            |
| General and administrative                                  | 3,797   | 10,731                                | 1,673              | 16,201     |
| Contractual services  | 1,228   | 28,542                                | 35,576             | 65,346     |
| Commodities   | 167   | 589                                   | 91                 | 847        |
| Depreciation  | 26  | 4,159                                 | 8                  | 4,193      |
| Claims and benefits   |   |                                       | 727,857            | 727,857    |
| Total Operating Expenses                                    | 5,218   | 44,021                                | 765,205            | 814,444    |
| Operating Income (loss)                                     | 58  | (4,360)                               | (6,970)            | (11,272)   |
| <b>Nonoperating Revenues</b>                                |   |                                       |                    |            |
| Investment income   |   |                                       | 5,226              | 5,226      |
| Total Nonoperating Revenues                                 |   |                                       | 5,226              | 5,226      |
| <b>Nonoperating Expenses</b>                                |   |                                       |                    |            |
| Loss on disposal of assets                                  |   | 4                                     |                    | 4          |
| Interest  |   | 33                                    |                    | 33         |
| Total Nonoperating Expenses                                 |   | 37                                    |                    | 37         |
| Income (loss) before Capital Contributions<br>and Transfers | 58  | (4,397)                               | (1,744)            | (6,083)    |
| Capital Contributions                                       |   | 27,775                                |                    | 27,775     |
| Transfers In  |   | 200                                   |                    | 200        |
| Transfers Out   |   |                                       | (160)              | (160)      |
| Change in Net Position                                      | 58  | 23,578                                | (1,904)            | 21,732     |
| Total Net Position - Beginning                              | 1,264   | 14,772                                | 277,935            | 293,971    |
| Total Net Position - Ending                                 | \$ 1,322  | \$ 38,350                             | \$ 276,031         | \$ 315,703 |



# Mississippi

## Internal Service Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2014 (Expressed in Thousands)

|  | Personnel<br>Board | Information<br>Technology<br>Services | Department of<br>Finance and<br>Administration<br>Risk<br>Management | Totals     |
|--|--------------------|---------------------------------------|--|------------|
| <b>Cash Flows from Operating Activities</b>                              |                    |                                       |  |            |
| Cash receipts/premiums from interfund services provided                  | \$ 5,158           | \$ 35,604                             | \$ 190,732   | \$ 231,494 |
| Cash receipts/premiums from customers                                    | (1)                | 4,051                                 | 574,617  | 578,667    |
| Cash payments to suppliers for goods and services                        | (1,592)            | (30,422)                              | (36,897)   | (68,911)   |
| Cash payments to employees for services                                  | (3,776)            | (10,635)                              | (1,658)  | (16,069)   |
| Cash payments for claims and benefits                                    |                    |                                       | (719,813)  | (719,813)  |
| Net Cash Provided by (Used for) Operating Activities                     | (211)              | (1,402)                               | 6,981  | 5,368      |
| <b>Cash Flows from Noncapital Financing Activities</b>                   |                    |                                       |  |            |
| Transfers in   |                    | 200                                   |  | 200        |
| Transfers out  |                    |                                       | (160)  | (160)      |
| Net Cash Provided by (Used for) Noncapital Financing Activities          |                    | 200                                   | (160)  | 40         |
| <b>Cash Flows from Capital and Related Financing Activities</b>          |                    |                                       |  |            |
| Acquisition and construction of capital assets                           | (18)               | (2,951)                               |  | (2,969)    |
| Proceeds from sale of capital assets                                     |                    | 2                                     |  | 2          |
| Principal paid on capital assets contracts                               |                    | (296)                                 |  | (296)      |
| Interest paid on capital assets contracts                                |                    | (33)                                  |  | (33)       |
| Net Cash Provided by (Used for) Capital and Related Financing Activities | (18)               | (3,278)                               |  | (3,296)    |
| <b>Cash Flows from Investing Activities</b>                              |                    |                                       |  |            |
| Proceeds from sales of investments                                       |                    |                                       | 10,958   | 10,958     |
| Purchases of investments   |                    |                                       | (11,227)   | (11,227)   |
| Investment income  |                    |                                       | 5,174  | 5,174      |
| Net Cash Provided by Investing Activities                                |                    |                                       | 4,905  | 4,905      |
| Net Change in Cash and Cash Equivalents                                  | (229)              | (4,480)                               | 11,726   | 7,017      |
| Cash and Cash Equivalents - Beginning                                    | 1,735              | 8,563                                 | 376,752  | 387,050    |
| Cash and Cash Equivalents - Ending                                       | \$ 1,506           | \$ 4,083                              | \$ 388,478   | \$ 394,067 |

(Continued on Next Page)

# Mississippi

## Internal Service Funds

### Combining Statement of Cash Flows

For the Year Ended June 30, 2014 (Expressed in Thousands)

(Continued from Previous Page)

|  | <u>Department of<br/>Finance and<br/>Administration</u> |                                       |                    |             |
|--|---|---------------------------------------|--------------------|-------------|
|  | Personnel<br>Board                                      | Information<br>Technology<br>Services | Risk<br>Management | Totals      |
| <b>Reconciliation of Operating Income (Loss) to Net<br/>Cash Provided by (Used for) Operating Activities</b> |   |                                       |                    |             |
| Operating income (loss)  | \$ 58   | \$ (4,360)                            | \$ (6,970)         | \$ (11,272) |
| Adjustments to reconcile operating income (loss) to<br>net cash provided by operating activities:            |   |                                       |                    |             |
| Depreciation   | 26  | 4,159                                 | 8                  | 4,193       |
| Changes in assets and liabilities:   |   |                                       |                    |             |
| (Increase) decrease in assets:   |   |                                       |                    |             |
| Accounts receivable  | (1)   | (1)                                   | 31                 | 29          |
| Due from other governments   | 2   | 14                                    | (188)              | (172)       |
| Due from other funds   | (117)   | (119)                                 | 4,776              | 4,540       |
| Due from component units   | (4)   | 101                                   | (75)               | 22          |
| Increase (decrease) in liabilities:  |   |                                       |                    |             |
| Warrants payable   | (3)   | (1,038)                               | (1)                | (1,042)     |
| Accounts payable and other liabilities   | (80)  | (183)                                 | 130                | (133)       |
| Due to other governments   |   | 3                                     | 173                | 176         |
| Due to other funds   | (92)  | 22                                    | (1,290)            | (1,360)     |
| Due to component units   |   |                                       | 28                 | 28          |
| Claims and benefits payable  |   |                                       | 7,791              | 7,791       |
| Unearned revenues  |   |                                       | 2,568              | 2,568       |
| Total adjustments  | (269)   | 2,958                                 | 13,951             | 16,640      |
| Net Cash Provided by (Used for) Operating Activities   | \$ (211)  | \$ (1,402)                            | \$ 6,981           | \$ 5,368    |

### Noncash Capital and Related Financing and Investing Activities

|                                       |        |        |
|---------------------------------------|--------|--------|
| Capital contributions                 | 27,775 | 27,775 |
| Loss on disposal of capital assets    | (4)    | (4)    |
| Change in market value of investments | (3)    | (3)    |

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Fiduciary funds account for assets held in a trustee or agency capacity for others and cannot be used to support government's own programs.

### Fiduciary Funds Descriptions

#### Pension Trust Funds

**Public Employees' Retirement System** - The **Public Employees' Retirement System Fund** provides retirement and disability benefits to substantially all employees of the state and its political subdivisions. Benefits are funded by contributions from the members, the state and political subdivisions and by investment income. The **Mississippi Highway Safety Patrol Retirement System Fund** provides retirement and disability benefits to sworn officers of the Department of Public Safety. Benefits are funded by contributions from the members and the state and by investment income. The **Municipal Retirement Systems Fund** provides retirement and disability benefits to employees, firefighters and police officers of participating municipalities. Benefits are funded by contributions from the members and the municipalities and by investment income. The **Supplemental Legislative Retirement Plan Fund** provides retirement and disability benefits supplemental to the benefits of the Public Employees' Retirement System to all elected members of the legislature and the president of the senate. Benefits are funded by contributions from the members and the state and by investment income. The **Deferred Compensation Plan Fund** accounts for deposits of gross compensation deferred by employees of the state and its political subdivisions. Political subdivisions may make contributions on behalf of their employees. Deposits are invested until retirement, severance from public service, death or extreme hardship of the individual participants.

#### Agency Funds

The **Local Government Distributive Fund** serves as a clearing mechanism for funds distributed to the various counties and municipalities of the state. The **Program Fund** accounts for receipt of various taxes, refundable deposits, inventories, and other monies collected or recovered to be held until the state has the right or obligation to distribute them to state operating funds or to various entities or individuals. The **Institutional Fund** accounts for deposits to various institutional accounts and other receipts held by the state until there is proper authorization to disburse them directly to others.

# Mississippi

## Pension Trust Funds

### Combining Statement of Fiduciary Net Position

June 30, 2014 (Expressed in Thousands)

|                                      | Public<br>Employees'<br>Retirement<br>System | Mississippi<br>Highway<br>Safety Patrol<br>Retirement<br>System | Municipal<br>Retirement<br>Systems |
|--------------------------------------|--|---|------------------------------------|
| <b>Assets</b>                        |  |   |                                    |
| Equity in internal investment pool   | \$ 2,030                                     | \$  | \$                                 |
| Cash and cash equivalents            | 740,784                                      | 9,742   | 5,374                              |
| Investments, at fair value:          |  |   |                                    |
| Short-term investments               | 103,095                                      | 1,357   | 749                                |
| Long-term debt securities            | 4,818,994                                    | 63,430  | 34,994                             |
| Equity securities                    | 15,993,384                                   | 210,512   | 116,140                            |
| Private equity                       | 953,297                                      | 12,547  | 6,923                              |
| Real estate investments              | 2,223,347                                    | 29,265  | 16,146                             |
| Asset allocation fund                |  |   |                                    |
| Fixed rate and variable              |  |   |                                    |
| Life insurance contracts             |  |   |                                    |
| Securities lending:                  |  |   |                                    |
| Short-term investments               | 893,443                                      | 11,798  | 6,509                              |
| Long-term debt securities            | 2,751,537                                    | 36,333  | 20,045                             |
| Receivables:                         |  |   |                                    |
| Employer contributions               | 66,164                                       |   | 359                                |
| Employee contributions               | 37,528                                       |   | 14                                 |
| Investment proceeds                  | 385,441                                      | 5,074   | 2,799                              |
| Interest and dividends               | 78,791                                       | 1,037   | 572                                |
| Other                                | 996  | 280   | 8                                  |
| Due from other funds                 | 7  |   |                                    |
| Capital assets:                      |  |   |                                    |
| Land and construction in progress    | 16,613                                       |   |                                    |
| Other capital assets, net            | 13,708                                       |   |                                    |
| <b>Total Assets</b>                  | <b>29,079,159</b>                            | <b>381,375</b>  | <b>210,632</b>                     |
| <b>Liabilities</b>                   |  |   |                                    |
| Warrants payable                     | 138  |   |                                    |
| Accounts payable and accruals        | 557,850                                      | 7,224   | 3,986                              |
| Due to other funds                   | 7  |   | 7                                  |
| Obligations under securities lending | 3,644,045                                    | 48,119  | 26,547                             |
| <b>Total Liabilities</b>             | <b>4,202,040</b>                             | <b>55,343</b>   | <b>30,540</b>                      |
| <b>Net Position</b>                  |  |   |                                    |
| Net position restricted for pensions | \$ 24,877,119                                | \$ 326,032  | \$ 180,092                         |

| <b>Supplemental<br/>Legislative<br/>Retirement<br/>Plan</b> | <b>Government<br/>Employees'<br/>Deferred<br/>Compensation<br/>Plan</b> | <b>Totals</b> |
|---|---|---------------|
| \$  | \$  | \$            |
| 492   | 933   | 2,030         |
|   |   | 757,325       |
| 68  | 24,307  | 129,576       |
| 3,203   | 61,066  | 4,981,687     |
| 10,632  | 852,019   | 17,182,687    |
| 634   |   | 973,401       |
| 1,478   | 2,369   | 2,272,605     |
|   | 92,154  | 92,154        |
|   | 558,010   | 558,010       |
|   | 339   | 339           |
| 596   |   | 912,346       |
| 1,835   |   | 2,809,750     |
|   |   | 66,523        |
|   | 1,666   | 39,208        |
| 256   |   | 393,570       |
| 53  | 335   | 80,788        |
|   |   | 1,284         |
|   | 5   | 12            |
|   |   | 16,613        |
|   |   | 13,708        |
| 19,247  | 1,593,203   | 31,283,616    |
|   |   | 138           |
| 364   | 301   | 569,725       |
|   |   | 14            |
| 2,430   |   | 3,721,141     |
| 2,794   | 301   | 4,291,018     |
| \$ 16,453   | \$ 1,592,902  | \$ 26,992,598 |

# Mississippi

## Pension Trust Funds

### Combining Statement of Changes in Fiduciary Net Position

For the Year Ended June 30, 2014 (Expressed in Thousands)

|  | Public<br>Employees'<br>Retirement<br>System | Mississippi<br>Highway<br>Safety Patrol<br>Retirement<br>System | Municipal<br>Retirement<br>Systems |
|--|--|---|------------------------------------|
| <b>Additions</b>   |  |   |                                    |
| Contributions:   |  |   |                                    |
| Employer   | \$ 969,674                                   | \$ 13,500   | \$ 20,337                          |
| Employee   | 549,528                                      | 1,963   | 78                                 |
| Total Contributions  | 1,519,202                                    | 15,463  | 20,415                             |
| Net Investment Income:                                     |  |   |                                    |
| Net change in fair value of investments                    | 3,405,962                                    | 44,975  | 24,812                             |
| Interest and dividends                                     | 565,374                                      | 7,466   | 4,119                              |
| Securities lending:  |  |   |                                    |
| Income from securities lending                             | 18,737                                       | 247   | 136                                |
| Interest expense and trading costs from securities lending | (2,625)                                      | (34)  | (19)                               |
| Managers' fees and trading costs                           | (81,720)                                     | (1,079)   | (595)                              |
| Net Investment Income                                      | 3,905,728                                    | 51,575  | 28,453                             |
| Other Additions:   |  |   |                                    |
| Administrative fees  | 617  |   |                                    |
| Other  | 268  |   |                                    |
| Total Other Additions                                      | 885  |   |                                    |
| Total Additions  | 5,425,815                                    | 67,038  | 48,868                             |
| <b>Deductions</b>  |  |   |                                    |
| Retirement annuities                                       | 2,099,843                                    | 28,220  | 35,014                             |
| Refunds to terminated employees                            | 121,532                                      | 42  | 3                                  |
| Administrative expenses                                    | 13,454                                       | 200   | 407                                |
| Depreciation   | 778  |   |                                    |
| Total Deductions   | 2,235,607                                    | 28,462  | 35,424                             |
| Change in Net Position                                     | 3,190,208                                    | 38,576  | 13,444                             |
| Net Position - Beginning                                   | 21,686,911                                   | 287,456   | 166,648                            |
| Net Position - Ending                                      | \$ 24,877,119                                | \$ 326,032  | \$ 180,092                         |

| <b>Supplemental<br/>Legislative<br/>Retirement<br/>Plan</b> | <b>Government<br/>Employees'<br/>Deferred<br/>Compensation<br/>Plan</b> | <b>Totals</b> |
|---|---|---------------|
| \$ 514  | \$ 1,194  | \$ 1,005,219  |
| 208   | 74,090  | 625,867       |
| 722   | 75,284  | 1,631,086     |
| 2,272   | 176,121   | 3,654,142     |
| 377   | 12,609  | 589,945       |
| 13  |   | 19,133        |
| (2)   |   | (2,680)       |
| (55)  |   | (83,449)      |
| 2,605   | 188,730   | 4,177,091     |
|   |   | 617           |
|   |   | 268           |
|   |   | 885           |
| 3,327   | 264,014   | 5,809,062     |
| 1,216   | 98,868  | 2,263,161     |
| 22  |   | 121,599       |
| 10  |   | 14,071        |
|   |   | 778           |
| 1,248   | 98,868  | 2,399,609     |
| 2,079   | 165,146   | 3,409,453     |
| 14,374  | 1,427,756   | 23,583,145    |
| \$ 16,453   | \$ 1,592,902  | \$ 26,992,598 |



# Mississippi

## Agency Funds

### Combining Statement of Fiduciary Net Position

June 30, 2014 (Expressed in Thousands)

|                                    | Local<br>Government<br>Distributive | Program   | Institutional | Totals    |
|------------------------------------|-------------------------------------|-----------|---------------|-----------|
| <b>Assets</b>                      |                                     |           |               |           |
| Equity in internal investment pool | \$ 3,023                            | \$ 6,467  | \$            | \$ 9,490  |
| Cash and cash equivalents          | 187                                 | 54,673    | 6,702         | 61,562    |
| Receivables, net:                  |                                     |           |               |           |
| Accounts                           | 422                                 |           | 105           | 527       |
| Commodity inventory                |                                     | 1,229     |               | 1,229     |
| Total Assets                       | \$ 3,632                            | \$ 62,369 | \$ 6,807      | \$ 72,808 |
| <b>Liabilities</b>                 |                                     |           |               |           |
| Warrants payable                   | \$ 168                              | \$ 166    | \$            | \$ 334    |
| Accounts payable and accruals      |                                     | 67        | 1,506         | 1,573     |
| Due to other governments           | 1,137                               | 1         |               | 1,138     |
| Amounts held in custody for others | 2,327                               | 62,135    | 5,301         | 69,763    |
| Total Liabilities                  | \$ 3,632                            | \$ 62,369 | \$ 6,807      | \$ 72,808 |

# Mississippi

## Agency Funds

### Combining Statement of Changes in Assets and Liabilities

For the Year Ended June 30, 2014 (Expressed in Thousands)

| Fund                                  | Assets                             |                           |             |                            |                     | Total Assets |
|---------------------------------------|------------------------------------|---------------------------|-------------|----------------------------|---------------------|--------------|
|                                       | Equity in Internal Investment Pool | Cash and Cash Equivalents | Receivables | Due from Other Governments | Commodity Inventory |              |
| <b>Local Government Distributive:</b> |                                    |                           |             |                            |                     |              |
| Balance - Beginning                   | \$ 930                             | \$ 184                    | \$ 505      | \$ 2                       | \$                  | \$ 1,621     |
| Additions                             | 39,570                             | 240                       | 422         |                            |                     | 40,232       |
| Deductions                            | 37,477                             | 237                       | 505         | 2                          |                     | 38,221       |
| Balance - Ending                      | 3,023                              | 187                       | 422         | 0                          |                     | 3,632        |
| <b>Program:</b>                       |                                    |                           |             |                            |                     |              |
| Balance - Beginning                   | 5,640                              | 49,492                    |             |                            | 324                 | 55,456       |
| Additions                             | 2,718                              | 153,434                   |             |                            | 18,010              | 174,162      |
| Deductions                            | 1,891                              | 148,253                   |             |                            | 17,105              | 167,249      |
| Balance - Ending                      | 6,467                              | 54,673                    |             |                            | 1,229               | 62,369       |
| <b>Institutional:</b>                 |                                    |                           |             |                            |                     |              |
| Balance - Beginning                   |                                    | 6,518                     | 74          |                            |                     | 6,592        |
| Additions                             |                                    | 23,217                    | 133         |                            |                     | 23,350       |
| Deductions                            |                                    | 23,033                    | 102         |                            |                     | 23,135       |
| Balance - Ending                      |                                    | 6,702                     | 105         |                            |                     | 6,807        |
| <b>Total - All Agency Funds:</b>      |                                    |                           |             |                            |                     |              |
| Balance - Beginning                   | 6,570                              | 56,194                    | 579         | 2                          | 324                 | 63,669       |
| Additions                             | 42,288                             | 176,891                   | 555         |                            | 18,010              | 237,744      |
| Deductions                            | 39,368                             | 171,523                   | 607         | 2                          | 17,105              | 228,605      |
| Balance - Ending                      | \$ 9,490                           | \$ 61,562                 | \$ 527      | \$ 0                       | \$ 1,229            | \$ 72,808    |

| Fund                                  | Liabilities      |                               |                          |                                    | Total Liabilities |
|---------------------------------------|------------------|-------------------------------|--------------------------|------------------------------------|-------------------|
|                                       | Warrants Payable | Accounts Payable and Accruals | Due to Other Governments | Amounts Held In Custody for Others |                   |
| <b>Local Government Distributive:</b> |                  |                               |                          |                                    |                   |
| Balance - Beginning                   | \$ 407           | \$ 1                          | \$ 1,213                 | \$                                 | \$ 1,621          |
| Additions                             | 24,887           | 31                            | 1,167                    | 9,365                              | 35,450            |
| Deductions                            | 25,126           | 32                            | 1,243                    | 7,038                              | 33,439            |
| Balance - Ending                      | 168              | 0                             | 1,137                    | 2,327                              | 3,632             |
| <b>Program:</b>                       |                  |                               |                          |                                    |                   |
| Balance - Beginning                   | 24               | 17,614                        | 8                        | 37,810                             | 55,456            |
| Additions                             | 875              | 404                           |                          | 172,419                            | 173,698           |
| Deductions                            | 733              | 17,951                        | 7                        | 148,094                            | 166,785           |
| Balance - Ending                      | 166              | 67                            | 1                        | 62,135                             | 62,369            |
| <b>Institutional:</b>                 |                  |                               |                          |                                    |                   |
| Balance - Beginning                   |                  | 1,469                         |                          | 5,123                              | 6,592             |
| Additions                             |                  | 911                           |                          | 22,752                             | 23,663            |
| Deductions                            |                  | 874                           |                          | 22,574                             | 23,448            |
| Balance - Ending                      |                  | 1,506                         |                          | 5,301                              | 6,807             |
| <b>Total - All Agency Funds:</b>      |                  |                               |                          |                                    |                   |
| Balance - Beginning                   | 431              | 19,084                        | 1,221                    | 42,933                             | 63,669            |
| Additions                             | 25,762           | 1,346                         | 1,167                    | 204,536                            | 232,811           |
| Deductions                            | 25,859           | 18,857                        | 1,250                    | 177,706                            | 223,672           |
| Balance - Ending                      | \$ 334           | \$ 1,573                      | \$ 1,138                 | \$ 69,763                          | \$ 72,808         |

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## Nonmajor Component Units

Component Units are organizations which are legally separate from the state for which the State is financially accountable.

### Nonmajor Component Units Descriptions

**Mississippi Business Finance Corporation** - The corporation coordinates and oversees the delivery of services to small business communities of Mississippi.

**Mississippi Coast Coliseum Commission** - The commission accounts for the promoting, developing, maintenance and operation of a multi-purpose coliseum and related facilities located in Harrison County, Mississippi.

**Mississippi Development Bank** - The bank fosters and promotes the provision of adequate markets and facilities for the borrowing of funds for public purposes by governmental units.

**Mississippi Prison Industries Corporation** - The corporation is engaged in the manufacture of cloth related items, printing of forms, periodicals and manuals, and providing service work for manufacturers. Revenue is generated from the charges for goods and services.

**Pat Harrison Waterway District** - The district accounts for resources used to bring about the full beneficial use of surface and overflow waters of the Pascagoula River Basin.

**Pearl River Basin Development District** - The district accounts for resources used to preserve, conserve, store and regulate the waters of the Pearl River and its tributaries and their overflows.

**Pearl River Valley Water Supply District** - The district accounts for the operation and maintenance of the Ross Barnett Reservoir and surrounding lands, to provide water supply, flood reduction and recreational opportunities.

**Tombigbee River Valley Water Management District** - The district accounts for the development and conservation of the human and natural resources of Mississippi counties in which the Tombigbee River or any of its tributaries lie.

# Mississippi

## Nonmajor Component Units

### Combining Statement of Net Position

June 30, 2014 (Expressed in Thousands)

|  | Mississippi<br>Business<br>Finance<br>Corporation | Mississippi<br>Coast<br>Coliseum<br>Commission | Mississippi<br>Development<br>Bank |
|--|---|--|------------------------------------|
| <b>Assets</b>                          |   |  |                                    |
| Current assets:                        |   |  |                                    |
| Equity in internal investment pool     | \$ 2,012  | \$   | \$                                 |
| Cash and cash equivalents              | 1,151   | 965  | 605                                |
| Investments                            | 12,676  | 2,019  | 2,328                              |
| Receivables, net                       | 59  | 632  | 76                                 |
| Due from other governments             |   |  |                                    |
| Due from primary government            |   |  |                                    |
| Inventories                            |   |  |                                    |
| Prepaid items                          |   | 204  |                                    |
| Notes receivable                       | 650   |  |                                    |
| Other assets                           |   |  |                                    |
| Total Current Assets                   | 16,548  | 3,820  | 3,009                              |
| Noncurrent assets:                     |   |  |                                    |
| Restricted assets:                     |   |  |                                    |
| Cash and cash equivalents              |   |  | 2,804                              |
| Investments                            |   | 7,000  |                                    |
| Capital assets:                        |   |  |                                    |
| Land and construction in progress      |   | 4,888  |                                    |
| Other capital assets, net              | 21  | 111,932  | 4                                  |
| Total Noncurrent Assets                | 21  | 123,820  | 2,808                              |
| Total Assets                           | 16,569  | 127,640  | 5,817                              |
| <b>Liabilities</b>                     |   |  |                                    |
| Current liabilities:                   |   |  |                                    |
| Accounts payable and other liabilities | 59  | 210  |                                    |
| Due to primary government              |   |  |                                    |
| Deposits                               |   | 594  |                                    |
| Unearned revenues                      |   | 22   |                                    |
| Notes payable                          |   |  | 650                                |
| Lease obligations payable              |   |  |                                    |
| Total Current Liabilities              | 59  | 826  | 650                                |
| Noncurrent liabilities:                |   |  |                                    |
| Lease obligations payable              |   |  |                                    |
| Other liabilities                      | 60  |  |                                    |
| Total Noncurrent Liabilities           | 60  |  |                                    |
| Total Liabilities                      | 119   | 826  | 650                                |
| <b>Net Position</b>                    |   |  |                                    |
| Net investment in capital assets       | 21  | 116,820  | 4                                  |
| Restricted for:                        |   |  |                                    |
| Debt service                           |   |  | 2,804                              |
| Other purposes                         |   |  |                                    |
| Permanent endowments:                  |   |  |                                    |
| Nonexpendable                          |   | 7,000  |                                    |
| Unrestricted                           | 16,429  | 2,994  | 2,359                              |
| Total Net Position                     | \$ 16,450   | \$ 126,814                                     | \$ 5,167                           |

| Mississippi<br>Prison<br>Industries<br>Corporation | Pat Harrison<br>Waterway<br>District | Pearl River<br>Basin<br>Development<br>District | Pearl River<br>Valley Water<br>Supply District | Tombigbee River<br>Valley Water<br>Management<br>District | Totals     |
|--|--------------------------------------|---|--|---|------------|
| \$   | \$                                   | \$  | \$   | \$  | \$         |
| 358  | 3,189                                | 430   | 6,346  | 8,356   | 2,012      |
| 4,001  | 3,968                                | 3,957   |  |   | 21,400     |
| 412  | 2                                    |   | 2,505  | 80  | 28,949     |
|  | 17                                   | 94  |  | 36  | 3,766      |
| 57   | 37                                   | 19  |  | 1   | 147        |
| 1,115  | 21                                   |   |  |   | 114        |
| 58   |                                      | 17  |  |   | 1,136      |
|  |                                      |   |  |   | 279        |
|  |                                      |   |  |   | 650        |
| 15   |                                      |   |  |   | 15         |
| 6,016  | 7,234                                | 4,517   | 8,851  | 8,473   | 58,468     |
|  |                                      |   |  |   |            |
|  |                                      |   |  |   | 2,804      |
|  |                                      |   |  |   | 7,000      |
| 404  | 1,834                                | 1,523   | 10,547   | 930   | 20,126     |
| 3,648  | 4,419                                | 1,935   | 30,407   | 1,623   | 153,989    |
| 4,052  | 6,253                                | 3,458   | 40,954   | 2,553   | 183,919    |
| 10,068   | 13,487                               | 7,975   | 49,805   | 11,026  | 242,387    |
|  |                                      |   |  |   |            |
| 254  | 1,898                                | 16  | 1,435  | 83  | 3,955      |
| 51   | 345                                  |   | 237  | 34  | 667        |
|  |                                      |   |  |   | 594        |
| 21   | 4                                    |   | 474  |   | 521        |
|  |                                      |   |  |   | 650        |
|  | 43                                   |   |  |   | 43         |
| 326  | 2,290                                | 16  | 2,146  | 117   | 6,430      |
|  |                                      |   |  |   |            |
|  | 185                                  |   |  |   | 185        |
|  | 109                                  | 15  | 495  | 69  | 748        |
|  | 294                                  | 15  | 495  | 69  | 933        |
| 326  | 2,584                                | 31  | 2,641  | 186   | 7,363      |
|  |                                      |   |  |   |            |
| 4,052  | 6,025                                | 3,458   | 40,336   | 2,553   | 173,269    |
|  | 80                                   |   |  |   | 2,884      |
|  |                                      | 4,384   |  |   | 4,384      |
|  |                                      |   |  |   | 7,000      |
| 5,690  | 4,798                                | 102   | 6,828  | 8,287   | 47,487     |
| \$ 9,742   | \$ 10,903                            | \$ 7,944  | \$ 47,164                                      | \$ 10,840   | \$ 235,024 |

# Mississippi

## Nonmajor Component Units

### Combining Statement of Activities

For the Year Ended June 30, 2014 (Expressed in Thousands)

| Functions/Programs                                  | Expenses  | Program Revenues           |  |  | Net<br>(Expense)<br>Revenue |
|---|-----------|----------------------------|--|--|-----------------------------|
|   |           | Charges<br>for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |                             |
| Mississippi Business Finance Corporation            | \$ 1,141  | \$ 834                     | \$                                       | \$                                     | (307)                       |
| Mississippi Coast Coliseum Commission               | 9,251     | 5,437                      | 49                                       | 23                                     | (3,742)                     |
| Mississippi Development Bank                        | 444       | 224                        |  |  | (220)                       |
| Mississippi Prison Industries Corporation           | 6,543     | 6,375                      |  |  | (168)                       |
| Pat Harrison Waterway District                      | 5,738     | 3,615                      | 2,128                                    |  | 5                           |
| Pearl River Basin Development District              | 741       | 110                        |  | 311                                    | (320)                       |
| Pearl River Valley Water Supply District            | 12,761    | 11,557                     |  | 1,823                                  | 619                         |
| Tombigbee River Valley Water<br>Management District | 1,738     | 155                        |  |  | (1,583)                     |
| Total   | \$ 38,357 | \$ 28,307                  | \$ 2,177                                 | \$ 2,157                               | \$ (5,716)                  |

| General Revenues     |          |                           |                                |                             |  |
|----------------------|----------|---------------------------|--------------------------------|-----------------------------|--|
| Investment<br>Income | Other    | Change in<br>Net Position | Net<br>Position -<br>Beginning | Net<br>Position -<br>Ending |  |
| \$ 346               | \$ 300   | \$ 339                    | \$ 16,111                      | \$ 16,450                   |  |
| 278                  | 19       | (3,445)                   | 130,259                        | 126,814                     |  |
| 78                   |          | (142)                     | 5,309                          | 5,167                       |  |
| 3                    |          | (165)                     | 9,907                          | 9,742                       |  |
| 11                   |          | 16                        | 10,887                         | 10,903                      |  |
| 3                    | 554      | 237                       | 7,707                          | 7,944                       |  |
| 3                    |          | 622                       | 46,542                         | 47,164                      |  |
| 8                    | 1,566    | (9)                       | 10,849                         | 10,840                      |  |
| \$ 730               | \$ 2,439 | \$ (2,547)                | \$ 237,571                     | \$ 235,024                  |  |



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# Mississippi

## Statistical Section

The Statistical Section provides additional historical perspective, context, and detail to assist financial statement users in understanding the State of Mississippi's overall financial health.

### Financial Trends

These tables contain trend information to help users in understanding how the State's financial position has changed over time.

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### Demographic and Economic Information

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# Mississippi

## Net Position by Component

Last Ten Fiscal Years

Table 1

Accrual Basis of Accounting (Expressed in Thousands)

|   | 2014                 | 2013                 | 2012                 | 2011                 |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Governmental activities</b>              |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 13,430,397        | \$ 13,107,678        | \$ 12,667,849        | \$ 11,845,579        |
| Restricted                                  | 3,633,805            | 3,602,589            | 3,615,270            | 3,480,202            |
| Unrestricted                                | (3,035,755)          | (3,188,135)          | (3,132,568)          | (2,680,509)          |
| Total governmental activities net position  | <u>\$ 14,028,447</u> | <u>\$ 13,522,132</u> | <u>\$ 13,150,551</u> | <u>\$ 12,645,272</u> |
| <b>Business-type activities</b>             |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 297,830           | \$ 265,837           | \$ 209,497           | \$ 216,682           |
| Restricted                                  | 602,831              | 578,710              | 540,875              | 433,703              |
| Unrestricted                                | 212,462              | 253,732              | 228,423              | 250,052              |
| Total business-type activities net position | <u>\$ 1,113,123</u>  | <u>\$ 1,098,279</u>  | <u>\$ 978,795</u>    | <u>\$ 900,437</u>    |
| <b>Primary Government</b>                   |                      |                      |                      |                      |
| Net investment in capital assets            | \$ 13,728,227        | \$ 13,373,515        | \$ 12,877,346        | \$ 12,062,261        |
| Restricted                                  | 4,236,636            | 4,181,299            | 4,156,145            | 3,913,905            |
| Unrestricted                                | (2,823,293)          | (2,934,403)          | (2,904,145)          | (2,430,457)          |
| Total primary government net position       | <u>\$ 15,141,570</u> | <u>\$ 14,620,411</u> | <u>\$ 14,129,346</u> | <u>\$ 13,545,709</u> |

Note: This table has been restated for prior period adjustments.

| 2010          | 2009          | 2008          | 2007          | 2006          | 2005         |
|---------------|---------------|---------------|---------------|---------------|--------------|
| \$ 11,408,744 | \$ 10,980,353 | \$ 10,642,484 | \$ 9,770,760  | \$ 8,883,410  | \$ 8,306,585 |
| 655,192       | 625,174       | 667,456       | 477,321       | 427,128       | 336,262      |
| (267,768)     | (336,905)     | 29,649        | 575,042       | 159,530       | (120,923)    |
| \$ 11,796,168 | \$ 11,268,622 | \$ 11,339,589 | \$ 10,823,123 | \$ 9,470,068  | \$ 8,521,924 |
| \$ 208,101    | \$ 195,171    | \$ 161,144    | \$ 136,836    | \$ 112,393    | \$ 143,055   |
| 433,216       | 614,988       | 778,010       | 784,367       | 789,759       | 807,059      |
| 202,455       | 192,005       | 209,175       | 243,751       | 209,745       | 169,590      |
| \$ 843,772    | \$ 1,002,164  | \$ 1,148,329  | \$ 1,164,954  | \$ 1,111,897  | \$ 1,119,704 |
| \$ 11,616,845 | \$ 11,175,524 | \$ 10,803,628 | \$ 9,907,596  | \$ 8,995,803  | \$ 8,449,640 |
| 1,088,408     | 1,240,162     | 1,445,466     | 1,261,688     | 1,216,887     | 1,143,321    |
| (65,313)      | (144,900)     | 238,824       | 818,793       | 369,275       | 48,667       |
| \$ 12,639,940 | \$ 12,270,786 | \$ 12,487,918 | \$ 11,988,077 | \$ 10,581,965 | \$ 9,641,628 |

# Mississippi

## Changes in Net Position

**Table 2**

**Last Ten Fiscal Years**

Accrual Basis of Accounting (Expressed in Thousands)

|   | 2014           | 2013           | 2012           | 2011           |
|---|----------------|----------------|----------------|----------------|
| <b>Expenses</b>                                   |                |                |                |                |
| Governmental activities:                          |                |                |                |                |
| General government                                | \$ 2,069,107   | \$ 2,028,155   | \$ 1,959,116   | \$ 1,881,692   |
| Education   | 3,996,554      | 3,912,889      | 4,126,252      | 4,138,774      |
| Health and social services <sup>1</sup>           | 7,394,045      | 7,372,085      | 7,074,781      | 6,873,932      |
| Law, justice and public safety <sup>2</sup>       | 923,952        | 983,870        | 878,668        | 1,013,451      |
| Recreation and resources development <sup>3</sup> | 637,850        | 587,367        | 722,713        | 1,008,883      |
| Regulation of business and professions            | 39,174         | 39,703         | 37,578         | 37,457         |
| Transportation                                    | 647,532        | 596,160        | 555,955        | 600,224        |
| Interest on long-term debt                        | 243,099        | 247,012        | 257,304        | 223,856        |
| Total governmental activities expenses            | 15,951,313     | 15,767,241     | 15,612,367     | 15,778,269     |
| Business-type activities:                         |                |                |                |                |
| Unemployment compensation <sup>4</sup>            | 204,206        | 338,390        | 408,399        | 520,790        |
| Port Authority at Gulfport                        | 25,688         | 28,589         | 51,950         | 30,276         |
| Prepaid affordable college tuition                | 103,134        | 41,278         | 56,568         | 45,754         |
| Other business-type                               | 37,379         | 35,421         | 47,009         | 40,702         |
| Total business-type activities expenses           | 370,407        | 443,678        | 563,926        | 637,522        |
| Total primary government expenses                 | \$ 16,321,720  | \$ 16,210,919  | \$ 16,176,293  | \$ 16,415,791  |
| <b>Program Revenues</b>                           |                |                |                |                |
| Governmental activities:                          |                |                |                |                |
| Charges for services:                             |                |                |                |                |
| General government                                | \$ 1,310,188   | \$ 1,305,202   | \$ 1,226,107   | \$ 1,183,632   |
| Education   | 23,989         | 24,539         | 37,491         | 36,151         |
| Health and social services                        | 583,738        | 620,930        | 659,245        | 622,266        |
| Law, justice and public safety                    | 126,054        | 118,797        | 102,689        | 101,992        |
| Recreation and resources development              | 79,287         | 98,496         | 90,643         | 132,401        |
| Regulation of business and professions            | 43,764         | 44,138         | 42,229         | 43,005         |
| Transportation                                    | 49,841         | 34,819         | 32,865         | 36,335         |
| Operating grants and contributions <sup>5</sup>   | 6,796,079      | 6,934,753      | 7,038,237      | 7,896,876      |
| Capital grants and contributions                  | 548,283        | 561,283        | 612,734        | 603,098        |
| Total governmental activities program revenues    | 9,561,223      | 9,742,957      | 9,842,240      | 10,655,756     |
| Business-type activities:                         |                |                |                |                |
| Charges for services:                             |                |                |                |                |
| Unemployment compensation <sup>6</sup>            | 158,741        | 202,715        | 274,063        | 209,318        |
| Port Authority at Gulfport                        | 15,603         | 15,050         | 15,140         | 27,807         |
| Prepaid affordable college tuition                | 6,370          | 12,786         | 22,458         | 21,764         |
| Other business-type                               | 28,563         | 28,016         | 27,738         | 39,319         |
| Operating grants and contributions <sup>7</sup>   | 57,162         | 161,613        | 244,325        | 310,704        |
| Capital grants and contributions                  | 33             | 904            | 246            | 16             |
| Total business-type activities program revenues   | 266,472        | 421,084        | 583,970        | 608,928        |
| Total primary government program revenues         | \$ 9,827,695   | \$ 10,164,041  | \$ 10,426,210  | \$ 11,264,684  |
| <b>Net (Expense) Revenue</b>                      |                |                |                |                |
| Governmental activities                           | \$ (6,390,090) | \$ (6,024,284) | \$ (5,770,127) | \$ (5,122,513) |
| Business-type activities                          | (103,935)      | (22,594)       | 20,044         | (28,594)       |
| Total primary government net expense              | \$ (6,494,025) | \$ (6,046,878) | \$ (5,750,083) | \$ (5,151,107) |

| 2010          | 2009          | 2008          | 2007          | 2006          | 2005          |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 2,011,806  | \$ 2,052,954  | \$ 2,000,778  | \$ 1,803,339  | \$ 1,826,995  | \$ 1,683,021  |
| 4,082,117     | 4,093,018     | 4,163,587     | 3,961,573     | 3,668,314     | 3,344,598     |
| 6,747,426     | 6,139,808     | 5,609,247     | 5,311,270     | 5,180,153     | 5,074,151     |
| 1,095,181     | 1,052,434     | 1,173,359     | 1,152,359     | 1,384,238     | 566,146       |
| 1,058,604     | 1,127,670     | 1,261,268     | 1,932,646     | 364,796       | 423,983       |
| 38,188        | 37,215        | 36,318        | 33,192        | 30,944        | 30,355        |
| 689,802       | 683,663       | 643,867       | 581,446       | 728,716       | 531,775       |
| 146,732       | 209,516       | 196,277       | 167,233       | 150,556       | 150,555       |
| 15,869,856    | 15,396,278    | 15,084,701    | 14,943,058    | 13,334,712    | 11,804,584    |
| 669,679       | 422,764       | 143,013       | 143,348       | 242,134       | 138,825       |
| 23,243        | 15,239        | 12,614        | 10,349        | 17,221        | 14,957        |
| 42,183        | 20,316        | 40,972        | 38,391        | 29,983        | 33,226        |
| 38,074        | 40,392        | 34,204        | 37,559        | 49,737        | 45,560        |
| 773,179       | 498,711       | 230,803       | 229,647       | 339,075       | 232,568       |
| \$ 16,643,035 | \$ 15,894,989 | \$ 15,315,504 | \$ 15,172,705 | \$ 13,673,787 | \$ 12,037,152 |

|              |              |              |              |            |              |
|--------------|--------------|--------------|--------------|------------|--------------|
| \$ 1,214,243 | \$ 1,149,464 | \$ 1,135,546 | \$ 1,059,532 | \$ 944,744 | \$ 1,041,597 |
| 51,848       | 29,721       | 27,838       | 33,991       | 29,784     | 24,857       |
| 569,685      | 563,917      | 507,876      | 480,944      | 446,315    | 465,923      |
| 99,098       | 103,178      | 100,206      | 147,360      | 81,807     | 76,864       |
| 145,988      | 84,984       | 85,610       | 69,949       | 64,182     | 60,230       |
| 41,644       | 40,727       | 39,491       | 36,173       | 28,223     | 32,315       |
| 7,787        | 51,695       | 40,243       | 35,192       | 26,762     | 29,477       |
| 7,795,111    | 6,847,036    | 6,462,823    | 7,125,688    | 6,058,258  | 4,636,824    |
| 643,843      | 556,571      | 795,572      | 960,369      | 792,929    | 415,530      |
| 10,569,247   | 9,427,293    | 9,195,205    | 9,949,198    | 8,473,004  | 6,783,617    |

|               |              |              |               |              |              |
|---------------|--------------|--------------|---------------|--------------|--------------|
| 84,916        | 90,301       | 100,840      | 106,256       | 104,548      | 158,695      |
| 14,652        | 16,865       | 22,569       | 30,166        | 7,609        | 21,892       |
| 21,799        | 19,374       | 21,121       | 21,343        | 21,513       | 19,679       |
| 36,811        | 38,532       | 33,522       | 37,083        | 40,644       | 37,604       |
| 382,141       | 141,038      | 10,069       | 9,745         | 93,156       | 5,905        |
| 24            | 954          | 1,838        | 3,900         | 539          | 159          |
| 540,343       | 307,064      | 189,959      | 208,493       | 268,009      | 243,934      |
| \$ 11,109,590 | \$ 9,734,357 | \$ 9,385,164 | \$ 10,157,691 | \$ 8,741,013 | \$ 7,027,551 |

|                |                |                |                |                |                |
|----------------|----------------|----------------|----------------|----------------|----------------|
| \$ (5,300,609) | \$ (5,968,985) | \$ (5,889,496) | \$ (4,993,860) | \$ (4,861,708) | \$ (5,020,967) |
| (232,836)      | (191,647)      | (40,844)       | (21,154)       | (71,066)       | 11,366         |
| \$ (5,533,445) | \$ (6,160,632) | \$ (5,930,340) | \$ (5,015,014) | \$ (4,932,774) | \$ (5,009,601) |

(Continued on Next Page)

# Mississippi

## Changes in Net Position

**Table 2**

**Last Ten Fiscal Years**

Accrual Basis of Accounting (Expressed in Thousands)

(Continued from Previous Page)

|   | 2014         | 2013         | 2012         | 2011         |
|---|--------------|--------------|--------------|--------------|
| <b>General Revenues and Other Changes in Net Position</b>                             |              |              |              |              |
| Governmental activities:  |              |              |              |              |
| Taxes:  |              |              |              |              |
| Sales and use <sup>8</sup>  | \$ 3,263,643 | \$ 3,118,658 | \$ 3,031,689 | \$ 2,935,523 |
| Gasoline and other motor fuel   | 408,667      | 402,724      | 419,811      | 420,410      |
| Individual income   | 1,703,736    | 1,666,840    | 1,572,334    | 1,374,843    |
| Corporate income and franchise  | 677,168      | 533,246      | 476,423      | 477,443      |
| Insurance   | 267,971      | 216,173      | 209,937      | 192,146      |
| Other   | 541,496      | 531,494      | 551,119      | 520,689      |
| Gain on sale of assets  |              |              |              |              |
| Investment income   | 82,307       | 9,208        | 50,607       | 91,185       |
| Extraordinary item - Impairment loss from hurricane damage, net of insurance recovery |              |              |              |              |
| Transfers   | (48,583)     | (82,478)     | (36,514)     | (22,871)     |
| Total governmental activities   | 6,896,405    | 6,395,865    | 6,275,406    | 5,989,368    |
| Business-type activities:   |              |              |              |              |
| Gain on sale of assets  |              |              |              |              |
| Investment income   | 70,196       | 59,600       | 21,800       | 62,388       |
| Extraordinary item - Impairment gain from hurricane damage, net of insurance recovery |              |              |              |              |
| Transfers   | 48,583       | 82,478       | 36,514       | 22,871       |
| Total business-type activities  | 118,779      | 142,078      | 58,314       | 85,259       |
| Total primary government  | \$ 7,015,184 | \$ 6,537,943 | \$ 6,333,720 | \$ 6,074,627 |
| <b>Change in Net Position</b>   |              |              |              |              |
| Governmental activities   | \$ 506,315   | \$ 371,581   | \$ 505,279   | \$ 866,855   |
| Business-type activities  | 14,844       | 119,484      | 78,358       | 56,665       |
| Total primary government  | \$ 521,159   | \$ 491,065   | \$ 583,637   | \$ 923,520   |

Note: This table has been restated for prior period adjustments.

<sup>1</sup> Health and social services expenditures rose from 2009 to 2010 primarily as benefits and the number of participants in the Medicaid and the Supplemental Nutrition Assistance Programs increased.

Health and social services expenses rose from 2008 to 2009 primarily as Medicaid expenditures escalated for medical assistance and disproportionate share payments.

<sup>2</sup> Law, justice and public safety expenses rose from 2005 to 2006 primarily due to the Hurricane Katrina response.

<sup>3</sup> Recreation and resources development expenses rose from 2006 to 2007 as a result of federal assistance being distributed to homeowners to aid in their rebuilding efforts.

<sup>4</sup> Unemployment Compensation expenses increased from 2008 to 2009 and again from 2009 to 2010. The number of eligible workers rose due to the climb in the unemployment rate and benefits were extended under the American Recovery and Reinvestment Act.

<sup>5</sup> Operating grants and contributions increased from 2009 to 2010. This is due in part to funding provided by the American Recovery and Reinvestment Act.

Operating grants and contributions increased from 2006 to 2007. This can be attributed to federal assistance for homeowners affected by Hurricane Katrina.

Operating grants and contributions increased from 2005 to 2006. This can be attributed to federal assistance in the Hurricane Katrina recovery efforts.

|    | 2010      | 2009         | 2008         | 2007         | 2006         | 2005         |
|----|-----------|--------------|--------------|--------------|--------------|--------------|
| \$ | 2,885,064 | \$ 2,961,865 | \$ 3,166,130 | \$ 3,161,005 | \$ 3,075,657 | \$ 2,626,792 |
|    | 406,279   | 411,729      | 438,676      | 444,489      | 442,190      | 433,307      |
|    | 1,385,623 | 1,415,091    | 1,503,869    | 1,501,334    | 1,204,055    | 1,243,192    |
|    | 416,978   | 420,739      | 500,996      | 469,182      | 425,091      | 365,140      |
|    | 197,970   | 187,050      | 194,129      | 192,861      | 169,727      | 165,955      |
|    | 511,351   | 461,064      | 459,483      | 397,515      | 385,810      | 362,526      |
|    |           |              |              |              | 585          | 2,964        |
|    | 54,935    | 83,119       | 145,465      | 184,500      | 122,553      | 79,306       |
|    |           |              |              |              | (9,871)      |              |
|    | (29,896)  | (42,639)     | (2,786)      | (3,971)      | (5,945)      | (6,557)      |
|    | 5,828,304 | 5,898,018    | 6,405,962    | 6,346,915    | 5,809,852    | 5,272,625    |
|    |           |              |              |              | 7            |              |
|    | 44,548    | 2,843        | 21,433       | 70,240       | 55,974       | 55,459       |
|    |           |              |              |              | 1,333        |              |
|    | 29,896    | 42,639       | 2,786        | 3,971        | 5,945        | 6,557        |
|    | 74,444    | 45,482       | 24,219       | 74,211       | 63,259       | 62,016       |
| \$ | 5,902,748 | \$ 5,943,500 | \$ 6,430,181 | \$ 6,421,126 | \$ 5,873,111 | \$ 5,334,641 |
| \$ | 527,695   | \$ (70,967)  | \$ 516,466   | \$ 1,353,055 | \$ 948,144   | \$ 251,658   |
|    | (158,392) | (146,165)    | (16,625)     | 53,057       | (7,807)      | 73,382       |
| \$ | 369,303   | \$ (217,132) | \$ 499,841   | \$ 1,406,112 | \$ 940,337   | \$ 325,040   |

<sup>6</sup> Unemployment Compensation Charges for Services increased from 2010 to 2011. Employer assessments grew because the taxable wage base doubled.

<sup>7</sup> Operating grants and contributions increased from 2005 to 2006. This can be attributed to federal assistance for disaster unemployment payments.

Operating grants and contributions increased from 2008 to 2009. This can be attributed to additional federal funding for unemployment compensation programs under the American Recovery and Reinvestment Act .

<sup>8</sup> Sales and use taxes increased from 2005 to 2006 primarily due to the volume of items purchased as citizens rebuilt and replaced damaged assets after Hurricane Katrina.

Sales and use taxes decreased from 2008 to 2009 and again from 2009 to 2010 as consumer spending on cars, lumber and building materials and other taxable goods and services was down in response to a weakening economy.



# Mississippi

## Fund Balances of Governmental Funds

Last Ten Fiscal Years

Table 3

Modified Accrual Basis of Accounting (Expressed in Thousands)

|                     | 2014         | 2013         | 2012         | 2011         |
|---------------------|--------------|--------------|--------------|--------------|
| <b>General Fund</b> |              |              |              |              |
| Nonspendable        | \$ 52,061    | \$ 50,480    | \$ 52,236    | \$ 52,571    |
| Restricted          | 3,448,681    | 3,491,146    | 3,528,727    | 2,895,706    |
| Committed           | 139,936      | 112,788      | 192,939      | 198,340      |
| Assigned            | 10,503       | 10,729       | 45,757       | 110,648      |
| Unassigned          | 571,580      | 520,612      | 452,744      | 287,764      |
| Total General Fund  | \$ 4,222,761 | \$ 4,185,755 | \$ 4,272,403 | \$ 3,545,029 |

### All Other Governmental Funds

|                                    |           |           |           |            |
|------------------------------------|-----------|-----------|-----------|------------|
| Nonspendable                       | \$ 56,450 | \$ 55,711 | \$ 54,918 | \$ 54,476  |
| Restricted                         | 5,163     | 5,252     | 7,132     | 477,449    |
| Committed                          |           |           |           | 187,041    |
| Total All Other Governmental Funds | \$ 61,613 | \$ 60,963 | \$ 62,050 | \$ 718,966 |

|                     | 2010         | 2009         | 2008         | 2007         |
|---------------------|--------------|--------------|--------------|--------------|
| <b>General Fund</b> |              |              |              |              |
| Reserved            | \$ 813,291   | \$ 829,688   | \$ 833,922   | \$ 864,522   |
| Unreserved          | 1,895,503    | 1,359,911    | 1,822,412    | 1,625,064    |
| Total General Fund  | \$ 2,708,794 | \$ 2,189,599 | \$ 2,656,334 | \$ 2,489,586 |

### All Other Governmental Funds

|                                    |              |              |              |              |
|------------------------------------|--------------|--------------|--------------|--------------|
| Reserved                           | \$ 82,783    | \$ 316,774   | \$ 325,180   | \$ 317,053   |
| Unreserved, reported in:           |              |              |              |              |
| Special revenue funds              | 596,557      | 552,911      | 568,091      | 769,769      |
| Capital project funds              | 323,080      | 375,268      | 383,225      | 224,942      |
| Debt service funds                 |              |              |              |              |
| Permanent funds                    | 6,601        | 5,119        | 3,862        | 2,398        |
| Total All Other Governmental Funds | \$ 1,009,021 | \$ 1,250,072 | \$ 1,280,358 | \$ 1,314,162 |

Note: Beginning in fiscal year 2011, fund balance categories were reclassified as a result of implementing GASB Statement 54 but were not restated for prior years. However, this table has been restated for prior period adjustments.

| 2006         | 2005         |
|--------------|--------------|
| \$ 702,417   | \$ 709,505   |
| 1,253,819    | 715,549      |
| \$ 1,956,236 | \$ 1,425,054 |

|              |              |
|--------------|--------------|
| \$ 306,171   | \$ 308,032   |
| 427,942      | 469,379      |
| 250,799      | 191,010      |
| 49,385       | 41,818       |
| 1,003        | 2,104        |
| \$ 1,035,300 | \$ 1,012,343 |

# Mississippi

## Changes in Fund Balances of Governmental Funds

**Table 4**

**Last Ten Fiscal Years**

Modified Accrual Basis of Accounting (Expressed in Thousands)

|   | 2014         | 2013         | 2012         | 2011         |
|---|--------------|--------------|--------------|--------------|
| <b>Revenues</b>                                   |              |              |              |              |
| Taxes   |              |              |              |              |
| Sales and use <sup>1</sup>                        | \$ 3,264,343 | \$ 3,122,591 | \$ 3,037,136 | \$ 2,916,298 |
| Gasoline and other motor fuel                     | 406,647      | 409,730      | 415,508      | 415,200      |
| Individual income                                 | 1,676,064    | 1,680,470    | 1,551,576    | 1,409,473    |
| Corporate income and franchise                    | 677,501      | 539,174      | 497,879      | 447,322      |
| Insurance   | 267,971      | 216,173      | 209,937      | 192,146      |
| Other   | 541,496      | 531,494      | 551,119      | 520,689      |
| Licenses, fees and permits                        | 522,824      | 533,880      | 533,573      | 519,033      |
| Federal government <sup>2</sup>                   | 7,343,489    | 7,495,005    | 7,647,096    | 8,496,243    |
| Investment income                                 | 69,134       | 10,897       | 47,037       | 88,553       |
| Charges for sales and services                    | 363,976      | 346,611      | 347,252      | 379,741      |
| Rentals   | 32,662       | 27,698       | 27,641       | 29,044       |
| Court assessments and settlements                 | 169,497      | 141,008      | 156,163      | 145,462      |
| Refund of prior year disaster payments            |              |              |              |              |
| Other   | 562,028      | 607,047      | 535,500      | 511,610      |
| Total Revenues                                    | 15,897,632   | 15,661,778   | 15,557,417   | 16,070,814   |
| <b>Expenditures</b>                               |              |              |              |              |
| General government                                | 1,493,951    | 1,495,665    | 1,414,395    | 1,301,010    |
| Education   | 3,994,332    | 3,909,703    | 4,121,827    | 4,134,654    |
| Health and social services <sup>3</sup>           | 7,404,608    | 7,373,548    | 7,064,468    | 6,863,679    |
| Law, justice and public safety <sup>4</sup>       | 930,805      | 985,149      | 933,574      | 953,468      |
| Recreation and resources development <sup>5</sup> | 639,569      | 590,813      | 715,739      | 1,002,286    |
| Regulation of business and professions            | 39,444       | 39,654       | 37,440       | 37,713       |
| Transportation                                    | 1,143,230    | 1,109,584    | 1,204,625    | 1,168,090    |
| Debt service                                      |              |              |              |              |
| Principal   | 319,798      | 307,377      | 290,870      | 316,103      |
| Interest and other fiscal charges                 | 244,164      | 246,962      | 240,940      | 226,906      |
| Defeasance of debt                                |              |              |              |              |
| Capital outlay                                    |              |              | 68,471       | 84,671       |
| Total Expenditures                                | 16,209,901   | 16,058,455   | 16,092,349   | 16,088,580   |
| Excess of revenues over (under) expenditures      | \$ (312,269) | \$ (396,677) | \$ (534,932) | \$ (17,766)  |

| 2010         | 2009         | 2008         | 2007         | 2006         | 2005         |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 2,848,169 | \$ 3,008,042 | \$ 3,146,711 | \$ 3,136,554 | \$ 3,074,831 | \$ 2,609,936 |
| 406,837      | 412,206      | 437,810      | 445,876      | 443,150      | 432,023      |
| 1,337,000    | 1,441,141    | 1,523,231    | 1,486,074    | 1,213,733    | 1,224,403    |
| 413,930      | 420,482      | 503,165      | 477,166      | 412,839      | 363,361      |
| 197,970      | 187,050      | 194,129      | 192,861      | 169,727      | 165,955      |
| 511,351      | 461,064      | 459,483      | 397,515      | 385,810      | 362,526      |
| 505,314      | 527,099      | 547,844      | 499,787      | 448,482      | 444,257      |
| 8,434,957    | 7,402,207    | 7,197,515    | 8,079,581    | 6,844,298    | 5,050,410    |
| 96,596       | 69,725       | 132,566      | 174,142      | 118,888      | 76,874       |
| 311,236      | 351,618      | 327,874      | 310,769      | 279,899      | 265,089      |
| 27,844       | 24,008       | 24,353       | 18,559       | 13,004       | 19,564       |
| 188,337      | 130,762      | 139,803      | 159,131      | 113,135      | 209,541      |
|              |              |              | 55,557       |              |              |
| 521,636      | 410,345      | 345,593      | 309,521      | 281,908      | 349,625      |
| 15,801,177   | 14,845,749   | 14,980,077   | 15,743,093   | 13,799,704   | 11,573,564   |
| 1,377,855    | 1,392,656    | 1,430,623    | 1,345,200    | 1,379,847    | 1,227,277    |
| 4,076,285    | 4,090,971    | 4,155,180    | 3,949,505    | 3,663,082    | 3,341,991    |
| 6,711,466    | 6,129,997    | 5,601,993    | 5,302,796    | 5,176,071    | 5,057,704    |
| 1,053,017    | 1,069,705    | 1,385,082    | 1,172,469    | 1,364,750    | 567,718      |
| 1,055,786    | 1,138,031    | 1,203,801    | 1,926,281    | 351,801      | 410,624      |
| 37,847       | 36,450       | 35,841       | 33,364       | 30,981       | 30,574       |
| 1,180,908    | 1,134,357    | 1,178,966    | 1,390,677    | 1,284,905    | 911,974      |
| 321,825      | 419,973      | 295,060      | 277,538      | 261,878      | 239,525      |
| 163,207      | 210,654      | 210,311      | 184,346      | 177,228      | 152,766      |
| 2,505        |              |              |              | 2,138        | 1,386        |
| 98,825       | 80,378       | 110,620      | 88,575       | 69,604       | 85,443       |
| 16,079,526   | 15,703,172   | 15,607,477   | 15,670,751   | 13,762,285   | 12,026,982   |
| \$ (278,349) | \$ (857,423) | \$ (627,400) | \$ 72,342    | \$ 37,419    | \$ (453,418) |

(Continued on Next Page)

# Mississippi

## Changes in Fund Balances of Governmental Funds

**Table 4**

**Last Ten Fiscal Years**

Modified Accrual Basis of Accounting (Expressed in Thousands)  
(Continued from Previous Page)

|  | 2014       | 2013        | 2012       | 2011       |
|--|------------|-------------|------------|------------|
| <b>Other Financing Sources (Uses)</b>                          |            |             |            |            |
| Bonds and notes issued   | \$ 348,777 | \$ 341,420  | \$ 603,030 | \$ 569,794 |
| Capital leases issued  | 16,107     | 487         | 9,524      | 8,009      |
| Discounts on bonds and notes issued                            |            |             |            |            |
| Insurance recovery   | 17,826     | 7,303       | 332        | 185        |
| Payments on refunded bond anticipation notes                   |            |             | (19,000)   | (105,105)  |
| Payments on refunded bonds and notes                           |            |             |            | (183,105)  |
| Payments to bond escrow agent                                  |            |             |            |            |
| Payments to refunded bond, note and lease escrow agents        |            | (776,032)   | (115,002)  |            |
| Premiums on bonds, notes, and refunding bonds and notes issued | 15,838     | 120,265     | 40,400     | 13,114     |
| Refunding bonds and notes issued                               |            | 697,790     | 123,075    | 284,453    |
| Transfers in   | 4,508      | 4,461       | 196,971    | 138,686    |
| Transfers out  | (53,131)   | (86,752)    | (233,940)  | (161,936)  |
| Net Other Financing Sources (Uses)                             | 349,925    | 308,942     | 605,390    | 564,095    |
| <b>Extraordinary Item</b>                                      |            |             |            |            |
| Insurance recovery from hurricane damage                       |            |             |            |            |
| Net Change in Fund Balances                                    | \$ 37,656  | \$ (87,735) | \$ 70,458  | \$ 546,329 |
| <b>Debt Service as a Percentage of Noncapital Expenditures</b> | 3.5%       | 3.7%        | 3.6%       | 3.6%       |

Note: This table has been restated for prior period adjustments.

<sup>1</sup> Sales and use taxes decreased from 2008 to 2009 and again from 2009 to 2010 as consumer spending on cars, lumber and building materials and other taxable goods and services was down in response to a weakening economy.

Sales and use taxes increased from 2005 to 2006 primarily due to the volume of items purchased as citizens rebuilt and replaced damaged assets after Hurricane Katrina.

<sup>2</sup> Federal government revenues increased from 2009 to 2010. This is due in part to funding provided by the American Recovery and Reinvestment Act.

Federal government revenues increased from 2006 to 2007. This can be attributed to federal assistance for homeowners affected by Hurricane Katrina.

Federal government revenues increased from 2005 to 2006. This can be attributed to federal assistance in the Hurricane Katrina recovery efforts.

<sup>3</sup> Health and social services expenditures rose from 2009 to 2010 primarily as benefits and the number of participants in the Medicaid and the Supplemental Nutrition Assistance Programs increased.

Health and social services expenditures rose from 2008 to 2009 primarily as Medicaid expenditures escalated for medical assistance and disproportionate share payments.

<sup>4</sup> Law, justice and public safety expenditures rose from 2005 to 2006 primarily due to the Hurricane Katrina response.

|    | 2010      |    | 2009      |    | 2008      |    | 2007      |    | 2006      |    | 2005      |
|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|
| \$ | 581,972   | \$ | 362,720   | \$ | 721,172   | \$ | 714,400   | \$ | 486,780   | \$ | 188,494   |
|    | 2,987     |    | 10,759    |    | 724       |    | 5,497     |    | 11,324    |    | 3,975     |
|    |           |    |           |    | (390)     |    | (250)     |    | (242)     |    |           |
|    | 1,822     |    | 8,838     |    | 3,874     |    | 781       |    | 4,408     |    |           |
|    | (241,100) |    |           |    |           |    | (33,000)  |    |           |    |           |
|    | (141,892) |    |           |    |           |    |           |    |           |    |           |
|    |           |    | (1,992)   |    |           |    |           |    |           |    |           |
|    | (41,998)  |    | (82,265)  |    | (191,894) |    | (147,765) |    | (50,462)  |    | (6,882)   |
|    | 10,562    |    | 13,916    |    | 19,613    |    | 29,209    |    | 15,442    |    | 874       |
|    | 413,965   |    | 76,460    |    | 208,955   |    | 175,365   |    | 51,870    |    | 7,215     |
|    | 756,592   |    | 335,056   |    | 387,993   |    | 616,239   |    | 498,623   |    | 294,453   |
|    | (786,417) |    | (363,090) |    | (389,703) |    | (620,606) |    | (501,943) |    | (294,588) |
|    | 556,493   |    | 360,402   |    | 760,344   |    | 739,870   |    | 515,800   |    | 193,541   |
|    |           |    |           |    |           |    |           |    |           |    |           |
|    |           |    |           |    |           |    |           |    | 920       |    |           |
| \$ | 278,144   | \$ | (497,021) | \$ | 132,944   | \$ | 812,212   | \$ | 554,139   | \$ | (259,877) |
|    |           |    |           |    |           |    |           |    |           |    |           |
|    | 3.2%      |    | 4.3%      |    | 3.5%      |    | 3.2%      |    | 3.4%      |    | 3.5%      |

# Mississippi

## Taxable Sales by Industry

**Last Ten Fiscal Years**  
(Expressed in Thousands)

**Table 5**

|                                   | 2013          | 2012          | 2011          | 2010          |
|-----------------------------------|---------------|---------------|---------------|---------------|
| Automotive                        | \$ 6,282,431  | \$ 5,903,776  | \$ 5,443,950  | \$ 4,864,021  |
| Contracting                       | 5,353,835     | 5,418,884     | 5,694,497     | 6,088,260     |
| Food and Beverage                 | 8,449,285     | 8,193,223     | 7,889,072     | 7,712,477     |
| Furniture                         | 853,711       | 865,405       | 864,544       | 874,401       |
| General Merchandise               | 7,896,794     | 7,732,806     | 7,592,421     | 7,496,027     |
| Lumber and Building Materials     | 2,672,756     | 2,574,449     | 2,587,393     | 2,510,439     |
| Machinery, Equipment and Supplies | 3,578,629     | 3,099,301     | 2,704,961     | 2,380,929     |
| Miscellaneous Retail              | 3,715,848     | 3,591,929     | 3,453,367     | 3,339,710     |
| Miscellaneous Services            | 2,683,214     | 2,719,817     | 2,796,299     | 2,580,111     |
| Public Utilities                  | 4,369,849     | 4,126,438     | 4,174,681     | 4,299,562     |
| Recreation                        | 153,087       | 152,721       | 145,519       | 144,896       |
| Wholesale                         | 816,077       | 799,970       | 785,349       | 756,599       |
| Total taxable sales               | \$ 46,825,516 | \$ 45,178,719 | \$ 44,132,053 | \$ 43,047,432 |
| Gross tax collections             | \$ 2,879,001  | \$ 2,785,750  | \$ 2,725,830  | \$ 2,652,437  |
| Average effective rate            | 6.15%         | 6.17%         | 6.18%         | 6.16%         |

Notes: Average effective rate equals gross tax collections divided by taxable sales. The most current fiscal year available is fiscal year 2013.

Source: Mississippi Department of Revenue

## Sales Tax Revenue Payers by Industry

**Fiscal Years 2013 and 2004**

**Table 6**

|                                   | 2013             |                     |  |                     |
|-----------------------------------|------------------|---------------------|--|---------------------|
|                                   | Number of Filers | Percentage of Total | Tax Liability (expressed in thousands) | Percentage of Total |
| Automotive                        | 12,239           | 13.7 %              | \$ 356,469                             | 12.4 %              |
| Contracting                       | 10,405           | 11.6                | 211,444                                | 7.3                 |
| Food and Beverage                 | 15,812           | 17.6                | 591,443                                | 20.5                |
| Furniture                         | 2,119            | 2.3                 | 59,758                                 | 2.1                 |
| General Merchandise               | 5,748            | 6.4                 | 553,209                                | 19.2                |
| Lumber and Building Materials     | 5,195            | 5.8                 | 187,088                                | 6.5                 |
| Machinery, Equipment and Supplies | 6,688            | 7.5                 | 172,059                                | 6.0                 |
| Miscellaneous Retail              | 23,072           | 25.8                | 256,711                                | 8.9                 |
| Miscellaneous Services            | 6,293            | 7.0                 | 184,013                                | 6.4                 |
| Public Utilities                  | 1,235            | 1.4                 | 238,967                                | 8.3                 |
| Recreation                        | 703              | 0.8                 | 10,715                                 | 0.4                 |
| Wholesale                         | 52               | 0.1                 | 57,125                                 | 2.0                 |
| Total                             | 89,561           | 100.0 %             | \$ 2,879,001                           | 100.0 %             |

Notes: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's revenue. The most current fiscal year available is fiscal year 2013.

Source: Mississippi Department of Revenue

| 2009          | 2008          | 2007          | 2006          | 2005          | 2004          |
|---------------|---------------|---------------|---------------|---------------|---------------|
| \$ 5,023,772  | \$ 6,083,873  | \$ 6,425,719  | \$ 6,659,353  | \$ 6,146,219  | \$ 6,153,868  |
| 7,771,199     | 7,887,529     | 7,289,281     | 6,077,508     | 4,450,580     | 4,227,714     |
| 7,658,372     | 7,502,956     | 7,183,345     | 6,860,282     | 6,667,695     | 6,585,188     |
| 858,990       | 959,992       | 1,017,087     | 1,011,007     | 759,240       | 740,400       |
| 7,697,208     | 7,339,220     | 7,517,150     | 7,389,359     | 6,627,840     | 6,350,285     |
| 2,870,910     | 3,423,567     | 3,892,931     | 3,944,938     | 2,675,275     | 2,384,863     |
| 2,655,964     | 2,962,978     | 3,065,223     | 2,883,980     | 2,253,956     | 2,056,435     |
| 3,567,676     | 3,743,749     | 3,741,915     | 3,562,267     | 3,317,464     | 3,480,913     |
| 2,829,490     | 2,823,849     | 2,605,241     | 2,582,114     | 1,944,014     | 1,881,371     |
| 4,383,720     | 4,225,268     | 4,160,798     | 4,323,055     | 3,687,135     | 3,332,978     |
| 136,388       | 134,763       | 135,866       | 119,248       | 110,930       | 116,464       |
| 763,532       | 749,042       | 728,840       | 721,747       | 758,074       | 744,355       |
| \$ 46,217,221 | \$ 47,836,786 | \$ 47,763,396 | \$ 46,134,858 | \$ 39,398,422 | \$ 38,054,834 |
| \$ 2,809,904  | \$ 2,893,966  | \$ 2,899,368  | \$ 2,807,350  | \$ 2,421,537  | \$ 2,338,086  |
| 6.08%         | 6.05%         | 6.07%         | 6.09%         | 6.15%         | 6.14%         |

| 2004             |                     |  |                     |  |
|------------------|---------------------|--|---------------------|--|
| Number of Filers | Percentage of Total | Tax Liability (expressed in thousands) | Percentage of Total |  |
| 11,206           | 13.5 %              | \$ 338,741                             | 14.6 %              |  |
| 7,874            | 9.5                 | 154,387                                | 6.6                 |  |
| 15,098           | 18.3                | 459,043                                | 19.6                |  |
| 2,662            | 3.2                 | 51,730                                 | 2.2                 |  |
| 5,320            | 6.5                 | 445,024                                | 19.0                |  |
| 5,233            | 6.3                 | 164,770                                | 7.0                 |  |
| 5,888            | 7.1                 | 111,016                                | 4.8                 |  |
| 22,207           | 26.8                | 237,872                                | 10.2                |  |
| 5,698            | 6.9                 | 131,623                                | 5.6                 |  |
| 1,100            | 1.3                 | 191,066                                | 8.2                 |  |
| 424              | 0.5                 | 8,151                                  | 0.3                 |  |
| 85               | 0.1                 | 44,663                                 | 1.9                 |  |
| 82,795           | 100.0 %             | \$ 2,338,086                           | 100.0 %             |  |



# Mississippi

## Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

(Expressed in Thousands, except Per capita)

Table 7

|  | 2014         | 2013         | 2012         | 2011         |
|--|--------------|--------------|--------------|--------------|
| <b>Governmental Activities</b>   |              |              |              |              |
| General Obligation Bonds and Notes <sup>1</sup>                                  | \$ 4,297,643 | \$ 4,207,238 | \$ 4,239,834 | \$ 3,862,590 |
| Limited Obligation Bonds   |              |              |              |              |
| Capital Lease Obligations  | 22,775       | 13,158       | 18,079       | 13,935       |
| Notes Payable <sup>1</sup>   | 1,078,967    | 1,140,010    | 989,336      | 1,021,016    |
| Certificates of Participation  |              |              |              |              |
| Total Governmental Activities  | 5,399,385    | 5,360,406    | 5,247,249    | 4,897,541    |
| <b>Business-type Activities</b>  |              |              |              |              |
| General Obligation Bonds   | 15,503       | 18,210       | 20,792       | 23,426       |
| Revenue Bonds  |              |              |              |              |
| Capital Lease Obligations  | 344          | 131          | 381          | 618          |
| Total Business-type Activities   | 15,847       | 18,341       | 21,173       | 24,044       |
| Total Primary Government   | \$ 5,415,232 | \$ 5,378,747 | \$ 5,268,422 | \$ 4,921,585 |
| Amount of Debt Per capita <sup>2</sup>   | \$ 1,811     | \$ 1,805     | \$ 1,768     | \$ 1,652     |
| Debt as a percentage of Personal Income <sup>3</sup>                             | 5.3%         | 5.4%         | 5.3%         | 5.2%         |
| <b>Net General Obligation Bonded Debt<sup>4</sup></b>                            |              |              |              |              |
| General Obligation Bonds and Notes <sup>1</sup>                                  | \$ 4,297,643 | \$ 4,207,238 | \$ 4,239,834 | \$ 3,862,590 |
| Less: Debt Service   | 369,002      | 339,308      | 344,061      | 323,235      |
| Net General Obligation Bonded Debt   | \$ 3,928,641 | \$ 3,867,930 | \$ 3,895,773 | \$ 3,539,355 |
| Amount of Net General Obligation Bonded Debt Per capita <sup>2</sup>             | \$ 1,313     | \$ 1,298     | \$ 1,307     | \$ 1,188     |
| Net General Obligation Bonded Debt as a percentage of Taxable Sales <sup>5</sup> | 8.4%         | 8.6%         | 8.6%         | 8.0%         |

Notes:

<sup>1</sup> Fiscal years 2005 - 2012 have been restated for GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, presentation.

<sup>2</sup> See Table 9 for population data. For the current fiscal year, the prior year population data is used in the calculation.

<sup>3</sup> See Table 9 for personal income data. For the current fiscal year, the prior year personal income data is used in the calculation.

<sup>4</sup> Net General Obligation Bonded Debt is long-term debt reported in governmental activities.

<sup>5</sup> See Table 5 for taxable sales data. For the current fiscal year, the prior year taxable sales data is used in the calculation.

|    | 2010      |    | 2009      |    | 2008      |    | 2007      |    | 2006      |    | 2005      |
|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|----|-----------|
| \$ | 3,578,528 | \$ | 3,516,385 | \$ | 3,516,217 | \$ | 3,205,576 | \$ | 3,085,787 | \$ | 2,959,839 |
|    |           |    |           |    | 24,460    |    | 47,880    |    | 70,320    |    | 91,845    |
|    | 13,212    |    | 17,231    |    | 12,555    |    | 18,568    |    | 19,034    |    | 62,456    |
|    | 1,047,983 |    | 853,156   |    | 883,283   |    | 709,940   |    | 347,200   |    | 162,340   |
|    |           |    | 2,045     |    | 2,190     |    | 2,330     |    | 2,460     |    | 2,585     |
|    | 4,639,723 |    | 4,388,817 |    | 4,438,705 |    | 3,984,294 |    | 3,524,801 |    | 3,279,065 |
|    | 26,476    |    | 29,231    |    | 32,064    |    | 35,084    |    | 38,016    |    | 40,705    |
|    |           |    |           |    |           |    |           |    |           |    | 150       |
|    | 841       |    | 1,636     |    | 926       |    | 214       |    | 320       |    | 449       |
|    | 27,317    |    | 30,867    |    | 32,990    |    | 35,298    |    | 38,336    |    | 41,304    |
| \$ | 4,667,040 | \$ | 4,419,684 | \$ | 4,471,695 | \$ | 4,019,592 | \$ | 3,563,137 | \$ | 3,320,369 |
| \$ | 1,571     | \$ | 1,493     | \$ | 1,516     | \$ | 1,372     | \$ | 1,229     | \$ | 1,145     |
|    | 5.1%      |    | 5.0%      |    | 4.9%      |    | 4.6%      |    | 4.4%      |    | 4.3%      |
| \$ | 3,578,528 | \$ | 3,516,385 | \$ | 3,516,217 | \$ | 3,205,576 | \$ | 3,085,787 | \$ | 2,959,839 |
|    | 248,686   |    | 197,131   |    | 214,647   |    | 175,515   |    | 105,347   |    | 97,312    |
| \$ | 3,329,842 | \$ | 3,319,254 | \$ | 3,301,570 | \$ | 3,030,061 | \$ | 2,980,440 | \$ | 2,862,527 |
| \$ | 1,121     | \$ | 1,121     | \$ | 1,119     | \$ | 1,034     | \$ | 1,028     | \$ | 987       |
|    | 7.7%      |    | 7.2%      |    | 6.9%      |    | 6.3%      |    | 6.5%      |    | 7.3%      |

# Mississippi

## Legal Debt Margin

### Last Ten Fiscal Years

(Expressed in Thousands)

**Table 8**

|   | 2014          | 2013          | 2012          | 2011          | 2010          |
|---|---------------|---------------|---------------|---------------|---------------|
| Legal debt limit  | \$ 12,823,921 | \$ 12,505,104 | \$ 12,451,109 | \$ 12,451,109 | \$ 12,451,109 |
| Less: Net debt applicable to limit                                      | 3,928,641     | 3,867,930     | 3,847,744     | 3,490,465     | 3,275,320     |
| Legal debt margin   | \$ 8,895,280  | \$ 8,637,174  | \$ 8,603,365  | \$ 8,960,644  | \$ 9,175,789  |
| Net debt applicable to the limit<br>as a percentage of legal debt limit | 30.6%         | 30.9%         | 30.9%         | 28.0%         | 26.3%         |

|   | 2009          | 2008          | 2007          | 2006          | 2005         |
|---|---------------|---------------|---------------|---------------|--------------|
| Legal debt limit  | \$ 12,451,109 | \$ 12,009,366 | \$ 10,930,262 | \$ 10,056,571 | \$ 8,740,586 |
| Less: Net debt applicable to limit                                      | 3,259,476     | 3,237,426     | 2,959,717     | 2,906,373     | 2,771,968    |
| Legal debt margin   | \$ 9,191,633  | \$ 8,771,940  | \$ 7,970,545  | \$ 7,150,198  | \$ 5,968,618 |
| Net debt applicable to the limit<br>as a percentage of legal debt limit | 26.2%         | 27.0%         | 27.1%         | 28.9%         | 31.7%        |

### Legal Debt Margin Calculation for Fiscal Year 2014:

|   |               |
|---|---------------|
| Legal debt limit <sup>1</sup>                   | \$ 12,823,921 |
| Amount of debt applicable to limit <sup>2</sup> | \$ 4,297,643  |
| Less: amounts available for debt service        | 369,002       |
| Less: Net debt applicable to limit              | 3,928,641     |
| Legal debt margin                               | \$ 8,895,280  |

#### Notes:

<sup>1</sup> The State's constitutional debt limit is established under Section 115 of the Mississippi Constitution at one and one-half times the sum of all revenues collected by the State during any one of the four preceding fiscal years, whichever may be higher. Revenues included in the foregoing debt limitation computation are restricted by current practice to the following revenues: taxes, licenses, fees and permits, investment income, rental income, service charges (including net income from the sale of alcoholic beverages), fines, forfeits, and penalties. Defined revenues for the four preceding years were:

| Fiscal Year | Applicable Revenues |
|-------------|---------------------|
| 2013        | \$ 8,549,281        |
| 2012        | 8,336,736           |
| 2011        | 7,956,269           |
| 2010        | 7,698,390           |
| 2009        | 7,960,862           |

<sup>2</sup> The legal debt limit applies to total governmental activities long-term bonded debt.

# Mississippi

## Demographic and Economic Statistics

Last Ten Calendar Years

Table 9

| Year | Population | Unemployment Rate |       | Personal Income    | Per capita Personal Income |
|------|------------|-------------------|-------|--------------------|----------------------------|
|      |            | Mississippi       | U. S. |                    |                            |
| 2013 | 2,991,000  | 9.2%              | 7.4%  | \$ 103,132,000,000 | \$ 34,478                  |
| 2012 | 2,980,000  | 9.2               | 8.1   | 98,722,000,000     | 33,128                     |
| 2011 | 2,980,000  | 10.6              | 8.9   | 95,313,000,000     | 31,984                     |
| 2010 | 2,970,000  | 10.6              | 9.6   | 91,600,000,000     | 30,842                     |
| 2009 | 2,960,000  | 9.5               | 9.3   | 88,801,000,000     | 30,000                     |
| 2008 | 2,950,000  | 6.8               | 5.8   | 91,220,000,000     | 30,922                     |
| 2007 | 2,930,000  | 6.3               | 4.6   | 86,585,000,000     | 29,551                     |
| 2006 | 2,900,000  | 6.8               | 4.6   | 81,098,000,000     | 27,965                     |
| 2005 | 2,900,000  | 7.8               | 5.1   | 77,748,000,000     | 26,810                     |
| 2004 | 2,890,000  | 6.3               | 5.5   | 72,579,000,000     | 25,114                     |

Sources:

U.S. Bureau of Economic Analysis

Mississippi Department of Employment Security

U.S. Department of Labor, Bureau of Labor Statistics

## Employment by Industry

Most Current Calendar Year and Nine Years Prior

Table 10

(Ranked by Number of Employees)

| Industry                           | Rank | 2013                        |                             | Rank | 2004                        |                             |
|------------------------------------|------|-----------------------------|-----------------------------|------|-----------------------------|-----------------------------|
|                                    |      | Average Number of Employees | Percentage of All Employees |      | Average Number of Employees | Percentage of All Employees |
| Government                         | 1    | 246,000                     | 20.6 %                      | 1    | 242,100                     | 19.7 %                      |
| Manufacturing                      | 2    | 137,000                     | 11.5                        | 2    | 179,600                     | 14.6                        |
| Retail Trade                       | 3    | 133,500                     | 11.2                        | 3    | 138,200                     | 11.2                        |
| Health Care and Social Assistance  | 4    | 121,300                     | 10.2                        | 5    | 103,800                     | 8.4                         |
| Accommodation and Food Services    | 5    | 110,600                     | 9.3                         | 4    | 113,100                     | 9.2                         |
| Professional and Business Services | 6    | 96,300                      | 8.1                         | 6    | 82,800                      | 6.7                         |
| Construction                       | 7    | 48,300                      | 4.0                         | 7    | 49,100                      | 4.0                         |
| Transportation and Warehousing     | 8    | 47,900                      | 4.0                         | 8    | 46,700                      | 3.8                         |
| Other Services                     | 9    | 38,200                      | 3.2                         | 9    | 41,200                      | 3.3                         |
| Wholesale Trade                    | 10   | 34,300                      | 2.9                         | 10   | 34,900                      | 2.8                         |
| Total                              |      | 1,013,400                   | 85.0 %                      |      | 1,031,500                   | 83.7 %                      |
| Total Employed Labor Force         |      | 1,192,400                   | 100.0 %                     |      | 1,232,200                   | 100.0 %                     |

Note: This schedule is presented as an alternative to the principal employer schedule for which employer data could not be obtained. Information contained in the schedule represents nonagricultural employment.

Source: Mississippi Department of Employment Security

# Mississippi

## Public School Enrollment

Last Ten Academic Years

Table 11

|                   | 2013/2014 | 2012/2013 | 2011/2012 | 2010/2011 |
|-------------------|-----------|-----------|-----------|-----------|
| Kindergarten      | 46,297    | 47,198    | 44,890    | 42,371    |
| Grades 1-3        | 119,432   | 116,562   | 114,814   | 115,503   |
| Grades 4-6        | 110,211   | 111,609   | 114,498   | 115,057   |
| Grades 7-9        | 113,675   | 113,490   | 111,616   | 111,826   |
| Grades 10-12      | 95,399    | 96,485    | 97,292    | 98,536    |
| Special Education | 7,572     | 7,503     | 7,509     | 7,233     |
| Total Enrollment  | 492,586   | 492,847   | 490,619   | 490,526   |

Source: Mississippi Department of Education

## Community and Junior College Enrollment

Last Ten Academic Years

Table 12

|  | 2013/2014 | 2012/2013 | 2011/2012 | 2010/2011 |
|--|-----------|-----------|-----------|-----------|
| Coahoma Community College                | 2,722     | 2,694     | 2,889     | 2,781     |
| Copiah-Lincoln Community College         | 3,186     | 3,308     | 3,578     | 5,221     |
| East Central Community College           | 3,049     | 3,112     | 3,091     | 2,738     |
| East Mississippi Community College       | 3,712     | 4,367     | 5,240     | 5,906     |
| Hinds Community College                  | 10,975    | 10,609    | 14,306    | 13,693    |
| Holmes Community College                 | 6,330     | 6,728     | 6,707     | 5,711     |
| Itawamba Community College               | 6,972     | 6,977     | 7,602     | 8,003     |
| Jones County Junior College              | 5,113     | 4,192     | 4,637     | 6,783     |
| Meridian Community College               | 3,047     | 3,330     | 3,883     | 3,956     |
| Mississippi Delta Community College      | 3,006     | 3,001     | 3,977     | 4,320     |
| Mississippi Gulf Coast Community College | 11,821    | 11,350    | 11,434    | 12,171    |
| Northeast Mississippi Community College  | 3,520     | 3,603     | 3,736     | 3,966     |
| Northwest Mississippi Community College  | 8,450     | 7,202     | 8,437     | 7,312     |
| Pearl River Community College            | 4,231     | 4,675     | 4,675     | 4,406     |
| Southwest Mississippi Community College  | 2,224     | 2,143     | 2,224     | 2,283     |
| Total Enrollment                         | 78,358    | 77,291    | 86,416    | 89,250    |

Source: Mississippi Community College Board

## University Enrollment

Last Ten Academic Years

Table 13

|                                     | 2013/2014 | 2012/2013 | 2011/2012 | 2010/2011 |
|-------------------------------------|-----------|-----------|-----------|-----------|
| Alcorn State University             | 3,848     | 3,950     | 4,018     | 3,682     |
| Delta State University              | 4,785     | 4,763     | 4,624     | 4,327     |
| Jackson State University            | 9,134     | 8,819     | 8,903     | 8,687     |
| Mississippi State University        | 20,161    | 20,365    | 20,424    | 19,643    |
| Mississippi University for Women    | 2,629     | 2,650     | 2,661     | 2,587     |
| Mississippi Valley State University | 2,203     | 2,479     | 2,452     | 2,636     |
| University of Mississippi           | 22,291    | 21,528    | 20,830    | 19,546    |
| University of Southern Mississippi  | 15,249    | 16,468    | 16,604    | 15,778    |
| Total Enrollment                    | 80,300    | 81,022    | 80,516    | 76,886    |

Source: Institutions of Higher Learning, Office of Strategic Data Management

| <b>2009/2010</b> | <b>2008/2009</b> | <b>2007/2008</b> | <b>2006/2007</b> | <b>2005/2006</b> | <b>2004/2005</b> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| 42,790           | 41,602           | 41,453           | 42,277           | 42,824           | 42,158           |
| 116,320          | 118,249          | 118,969          | 117,424          | 114,830          | 114,453          |
| 114,328          | 111,783          | 111,009          | 112,101          | 113,468          | 116,383          |
| 113,802          | 115,901          | 118,593          | 120,271          | 120,852          | 120,186          |
| 97,942           | 97,024           | 96,003           | 93,287           | 91,663           | 89,641           |
| 6,923            | 6,635            | 7,275            | 8,775            | 10,401           | 11,769           |
| 492,105          | 491,194          | 493,302          | 494,135          | 494,038          | 494,590          |

| <b>2009/2010</b> | <b>2008/2009</b> | <b>2007/2008</b> | <b>2006/2007</b> | <b>2005/2006</b> | <b>2004/2005</b> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| 3,210            | 2,239            | 2,398            | 2,201            | 2,428            | 2,506            |
| 4,649            | 3,886            | 3,811            | 3,933            | 3,792            | 3,681            |
| 3,554            | 3,219            | 2,841            | 3,096            | 3,268            | 3,540            |
| 6,063            | 6,356            | 6,353            | 4,938            | 4,569            | 4,523            |
| 15,370           | 12,661           | 16,747           | 13,487           | 13,004           | 13,803           |
| 5,943            | 5,754            | 5,124            | 5,164            | 5,220            | 4,991            |
| 9,965            | 9,173            | 8,339            | 7,363            | 7,089            | 6,567            |
| 6,982            | 5,951            | 5,658            | 5,785            | 6,219            | 6,344            |
| 4,856            | 4,317            | 4,065            | 3,946            | 3,813            | 4,089            |
| 4,410            | 4,011            | 3,659            | 3,815            | 3,995            | 3,862            |
| 13,426           | 11,736           | 9,674            | 9,045            | 8,934            | 10,894           |
| 5,482            | 5,006            | 5,223            | 5,264            | 5,266            | 5,854            |
| 8,777            | 7,326            | 6,900            | 7,457            | 6,953            | 6,663            |
| 4,853            | 5,081            | 4,263            | 4,411            | 4,256            | 4,585            |
| 2,289            | 2,106            | 2,080            | 1,986            | 2,121            | 2,303            |
| 99,829           | 88,822           | 87,135           | 81,891           | 80,927           | 84,205           |

| <b>2009/2010</b> | <b>2008/2009</b> | <b>2007/2008</b> | <b>2006/2007</b> | <b>2005/2006</b> | <b>2004/2005</b> |
|------------------|------------------|------------------|------------------|------------------|------------------|
| 3,334            | 3,252            | 3,668            | 3,583            | 3,544            | 3,443            |
| 4,031            | 4,064            | 4,091            | 4,217            | 4,119            | 3,990            |
| 8,783            | 8,374            | 8,698            | 8,256            | 8,416            | 8,351            |
| 18,600           | 17,824           | 17,039           | 16,206           | 16,101           | 15,934           |
| 2,476            | 2,365            | 2,379            | 2,428            | 2,285            | 2,231            |
| 2,846            | 2,929            | 3,009            | 3,162            | 3,165            | 3,621            |
| 18,344           | 17,601           | 17,323           | 17,312           | 16,928           | 16,500           |
| 15,293           | 14,793           | 14,592           | 14,777           | 15,030           | 15,253           |
| 73,707           | 71,202           | 70,799           | 69,941           | 69,588           | 69,323           |

# Mississippi

## Capital Asset Statistics by Function

Last Ten Fiscal Years

Table 14

|   | 2014   | 2013   | 2012   | 2011   |
|---|--------|--------|--------|--------|
| <b>General Government</b>                     |        |        |        |        |
| Department of Finance and Administration      |        |        |        |        |
| Buildings                                     | 36     | 37     | 37     | 36     |
| Vehicles                                      | 44     | 41     | 42     | 49     |
| Department of Revenue                         |        |        |        |        |
| Vehicles                                      | 49     | 46     | 46     | 44     |
| <b>Education</b>                              |        |        |        |        |
| Department of Education                       |        |        |        |        |
| Vehicles                                      | 44     | 45     | 41     | 44     |
| <b>Law, Justice and Public Safety</b>         |        |        |        |        |
| Department of Corrections                     |        |        |        |        |
| Buildings                                     | 558    | 572    | 576    | 611    |
| Vehicles                                      | 691    | 611    | 611    | 593    |
| Department of Public Safety                   |        |        |        |        |
| Buildings                                     | 43     | 41     | 41     | 39     |
| Vehicles                                      | 913    | 896    | 963    | 877    |
| <b>Recreation and Resource Development</b>    |        |        |        |        |
| Department of Wildlife, Fisheries and Parks   |        |        |        |        |
| State Parks                                   | 25     | 25     | 25     | 25     |
| Acres of State Parks                          | 24,481 | 24,591 | 24,591 | 24,446 |
| Buildings                                     | 843    | 835    | 842    | 843    |
| Vehicles                                      | 558    | 591    | 614    | 606    |
| Forestry Commission                           |        |        |        |        |
| Buildings                                     | 317    | 369    | 388    | 392    |
| Vehicles                                      | 413    | 421    | 429    | 430    |
| <b>Regulation of Business and Professions</b> |        |        |        |        |
| Workers' Compensation Commission              |        |        |        |        |
| Buildings                                     | 1      | 1      | 1      | 1      |
| <b>Transportation</b>                         |        |        |        |        |
| Department of Transportation                  |        |        |        |        |
| Miles of state highway                        | 10,898 | 10,886 | 10,913 | 10,907 |
| Vehicles                                      | 2,339  | 2,352  | 2,554  | 2,534  |
| <b>Health and Social Sciences</b>             |        |        |        |        |
| Department of Mental Health                   |        |        |        |        |
| Buildings                                     | 538    | 545    | 551    | 551    |
| Vehicles                                      | 752    | 756    | 778    | 786    |

Sources:

Mississippi Office of the State Auditor, Property Audit Division  
Mississippi Department of Wildlife, Fisheries and Parks  
Mississippi Department of Transportation

| 2010   | 2009   | 2008   | 2007   | 2006   | 2005   |
|--------|--------|--------|--------|--------|--------|
| 37     | 37     | 46     | 46     | 42     | 26     |
| 48     | 42     | 42     | 41     | 37     | 35     |
| 49     | 49     | 47     | 47     | 45     | 45     |
| 43     | 42     | 47     | 44     | 46     | 42     |
| 627    | 627    | 626    | 633    | 633    | 642    |
| 608    | 673    | 676    | 707    | 683    | 674    |
| 39     | 38     | 37     | 37     | 37     | 36     |
| 845    | 908    | 924    | 943    | 907    | 805    |
| 26     | 26     | 26     | 26     | 24     | 28     |
| 24,260 | 24,260 | 24,260 | 23,904 | 23,908 | 23,800 |
| 831    | 817    | 815    | 812    | 831    | 844    |
| 614    | 632    | 609    | 614    | 627    | 681    |
| 394    | 398    | 408    | 418    | 422    | 429    |
| 440    | 446    | 493    | 508    | 483    | 531    |
| 1      | 1      | 1      | 1      | 1      | 1      |
| 10,907 | 10,984 | 10,949 | 10,974 | 10,950 | 10,927 |
| 2,569  | 2,530  | 2,547  | 2,595  | 2,604  | 2,604  |
| 553    | 553    | 547    | 541    | 535    | 525    |
| 801    | 794    | 802    | 798    | 755    | 742    |



# Mississippi

## State Government Employees by Function

Last Ten Fiscal Years

Table 15

|   | 2014          | 2013          | 2012          | 2011          | 2010          | 2009          |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>General Government</b>                     |               |               |               |               |               |               |
| Department of Finance and Administration      | 413           | 418           | 413           | 407           | 387           | 408           |
| Department of Revenue                         | 727           | 694           | 664           | 681           | 659           | 711           |
| Treasury                                      | 39            | 36            | 37            | 38            | 38            | 38            |
| All Other                                     | 1,441         | 1,454         | 1,405         | 1,399         | 1,408         | 1,484         |
| <b>Education</b>                              |               |               |               |               |               |               |
| Department of Education                       | 653           | 687           | 714           | 717           | 741           | 779           |
| All Other                                     | 182           | 187           | 195           | 191           | 193           | 201           |
| <b>Health and Social Services</b>             |               |               |               |               |               |               |
| Department of Human Services                  | 3,391         | 3,483         | 3,302         | 3,276         | 3,219         | 3,284         |
| Division of Medicaid                          | 936           | 923           | 869           | 897           | 934           | 940           |
| Department of Mental Health                   | 7,716         | 7,815         | 8,189         | 8,173         | 8,586         | 8,978         |
| Department of Rehabilitation Services         | 964           | 969           | 995           | 1,026         | 1,060         | 1,024         |
| All Other                                     | 3,340         | 3,449         | 3,476         | 3,399         | 3,549         | 3,438         |
| <b>Law, Justice and Public Safety</b>         |               |               |               |               |               |               |
| Department of Corrections                     | 2,870         | 2,958         | 2,746         | 2,824         | 2,919         | 3,090         |
| Department of Public Safety                   | 1,215         | 1,252         | 1,291         | 1,256         | 1,275         | 1,338         |
| All Other                                     | 2,163         | 2,188         | 2,192         | 2,141         | 2,130         | 2,134         |
| <b>Recreation and Resource Development</b>    |               |               |               |               |               |               |
| Department of Environmental Quality           | 397           | 401           | 423           | 432           | 435           | 448           |
| Department of Wildlife, Fisheries and Parks   | 522           | 543           | 566           | 582           | 665           | 807           |
| Forestry Commission                           | 418           | 414           | 423           | 443           | 455           | 475           |
| Mississippi Development Authority             | 287           | 300           | 308           | 316           | 324           | 319           |
| All Other                                     | 365           | 367           | 378           | 375           | 392           | 402           |
| <b>Regulation of Business and Professions</b> |               |               |               |               |               |               |
| Public Service Commission                     | 85            | 101           | 100           | 100           | 92            | 97            |
| Oil and Gas Board                             | 31            | 32            | 34            | 34            | 34            | 36            |
| All Other                                     | 260           | 248           | 245           | 252           | 262           | 255           |
| <b>Transportation</b>                         |               |               |               |               |               |               |
| Department of Transportation                  | 3,277         | 3,351         | 3,342         | 3,363         | 3,448         | 3,413         |
| <b>Total</b>                                  | <b>31,692</b> | <b>32,270</b> | <b>32,307</b> | <b>32,322</b> | <b>33,205</b> | <b>34,099</b> |

Source: Statewide Payroll and Human Resource System, Total Filled Positions

| 2008   | 2007   | 2006   | 2005   |
|--------|--------|--------|--------|
| 380    | 363    | 338    | 330    |
| 726    | 713    | 697    | 708    |
| 39     | 37     | 38     | 37     |
| 1,438  | 1,402  | 1,380  | 1,413  |
| 782    | 773    | 737    | 766    |
| 200    | 195    | 191    | 195    |
| 3,046  | 2,991  | 2,925  | 2,987  |
| 908    | 917    | 942    | 877    |
| 8,951  | 8,930  | 8,685  | 9,043  |
| 964    | 949    | 882    | 871    |
| 3,329  | 3,393  | 3,336  | 3,467  |
| 3,153  | 3,071  | 3,072  | 3,051  |
| 1,365  | 1,274  | 1,199  | 1,183  |
| 1,994  | 1,883  | 1,746  | 1,749  |
| 428    | 433    | 426    | 447    |
| 710    | 788    | 777    | 826    |
| 521    | 513    | 479    | 548    |
| 279    | 282    | 261    | 271    |
| 412    | 408    | 395    | 412    |
| 97     | 95     | 92     | 94     |
| 33     | 32     | 31     | 28     |
| 246    | 242    | 244    | 239    |
| 3,346  | 3,267  | 3,271  | 3,384  |
| 33,347 | 32,951 | 32,144 | 32,926 |

# Mississippi

## Operating Indicators by Function

Last Ten Fiscal Years

Table 16

|  | 2013          | 2012          | 2011          | 2010          |
|--|---------------|---------------|---------------|---------------|
| <b>General Government</b>                            |               |               |               |               |
| Tax returns processed                                | 4,950,000     | 4,950,000     | 4,950,000     | 4,950,000     |
| On-going construction projects                       | 743           | 783           | 820           | 688           |
| Tort claims processed                                | 1,098         | 986           | 1,117         | 1,117         |
| Unclaimed property claims paid                       | 5,309         | 7,298         | 4,581         | 8,050         |
| Corporate filings processed                          | 110,008       | 243,634       | 112,983       | 104,842       |
| UCC filings processed                                | 322,350       | 342,552       | 254,872       | 280,335       |
| <b>Education</b>                                     |               |               |               |               |
| Average cost per public school student               | \$8,921       | \$8,932       | \$8,752       | \$8,930       |
| Public high school graduates                         | 28,317        | 28,933        | 29,569        | 28,517        |
| Public school teachers, K-12                         | 32,356        | 32,170        | 32,042        | 33,210        |
| <b>Health and Social Services</b>                    |               |               |               |               |
| Average monthly households receiving food assistance | 303,719       | 289,660       | 266,966       | 241,785       |
| Child support collections from non-custodial parents | \$332,931,089 | \$332,298,519 | \$314,027,549 | \$292,715,332 |
| Medicaid recipients receiving medical services       | 643,687       | 640,957       | 637,781       | 621,607       |
| <b>Law, Justice and Public Safety</b>                |               |               |               |               |
| Average inmate population in prisons                 | 9,868         | 9,449         | 9,636         | 10,054        |
| Supervised offenders in communities                  | 30,078        | 35,097        | Not Available | Not Available |
| Driver licenses issued                               | 807,582       | 747,173       | 821,000       | 780,000       |
| <b>Recreation and Resource Development</b>           |               |               |               |               |
| Tourist registered at welcome centers                | 2,502,048     | 2,471,958     | 2,462,209     | 2,485,233     |
| Land reforested (acres)                              | 29,732        | 52,830        | 38,753        | 24,239        |
| Hunting and fishing licenses sold                    | 578,154       | 550,000       | 493,773       | 502,024       |
| Overnight accommodations at state parks              | 544,887       | 646,752       | 573,975       | 548,224       |
| <b>Regulation of Business and Professions</b>        |               |               |               |               |
| Utility complaints investigated                      | 3,988         | 4,002         | 8,059         | 7,906         |
| Well inspections by Oil and Gas Board                | 21,893        | 22,236        | 12,166        | 15,323        |
| <b>Transportation</b>                                |               |               |               |               |
| Overlays (miles)                                     | 135           | 64            | 279           | 397           |
| Replacement of deficit bridges                       | 50            | 55            | 85            | 47            |

Note: The most current fiscal year available is fiscal year 2013.

Sources:

Mississippi Joint Legislative Budget Committee, Legislative Budget Report  
Mississippi Department of Education, Superintendent's Annual Report  
Mississippi Department of Education, Office of Reporting

| 2009          | 2008          | 2007          | 2006          | 2005          | 2004          |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 4,900,000     | 4,850,000     | 4,800,000     | 4,750,000     | 4,700,000     | 4,650,000     |
| 656           | 676           | 725           | 708           | 707           | 756           |
| 538           | 353           | 1,081         | 726           | 1,354         | 2,529         |
| 7,799         | 6,175         | 9,781         | 6,670         | 5,360         | 41,652        |
| 113,217       | 40,218        | 30,740        | 30,441        | 27,184        | 29,293        |
| 268,108       | 286,740       | 289,990       | 28,317        | 261,215       | 231,688       |
|               |               |               |               |               |               |
| \$8,895       | \$8,737       | \$8,298       | \$7,996       | \$7,208       | \$6,794       |
| 24,393        | 23,935        | 23,149        | 23,691        | 23,415        | 23,427        |
| 33,972        | 33,613        | 32,746        | 32,129        | 32,027        | 31,611        |
|               |               |               |               |               |               |
| 204,068       | 184,779       | 174,924       | 172,814       | 153,943       | 149,817       |
| \$286,696,080 | \$264,727,366 | \$242,768,697 | \$230,206,702 | \$218,293,613 | \$206,596,005 |
| 598,476       | 569,294       | 547,811       | 583,523       | 673,571       | 730,000       |
|               |               |               |               |               |               |
| 10,761        | 10,856        | 10,145        | 9,669         | 9,891         | 10,833        |
| 25,910        | 27,323        | 29,964        | 21,736        | 23,781        | 22,053        |
| 783,508       | 907,850       | 755,000       | 755,000       | 667,800       | 753,809       |
|               |               |               |               |               |               |
| 2,962,056     | 2,906,700     | 2,782,648     | 2,551,894     | 2,862,349     | 2,937,560     |
| 38,257        | 44,546        | 61,075        | 54,886        | 91,035        | 57,980        |
| 588,095       | 584,891       | 585,466       | 525,000       | 525,000       | 533,533       |
| 575,502       | 675,000       | 674,280       | 682,525       | 672,525       | 765,564       |
|               |               |               |               |               |               |
| 7,701         | 7,299         | 6,766         | 6,749         | 6,520         | 6,547         |
| 24,419        | 21,227        | 22,083        | 20,879        | 18,000        | 19,763        |
|               |               |               |               |               |               |
| 455           | 251           | 146           | 340           | 421           | 594           |
| 63            | 55            | 62            | 11            | 29            | 73            |

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## ***Cover***

*“Picture Mississippi” photograph is courtesy of Kim Hunt.*

*Mississippi photographer Kim Hunt enjoys capturing the natural and man-made beauty of this beautiful state. Kim Hunt’s website is [www.PictureMississippi.com](http://www.PictureMississippi.com). Kim Hunt has additional photos of Mississippi scenes posted on the web at [www.facebook.com/PictureMississippi](https://www.facebook.com/PictureMississippi).*

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